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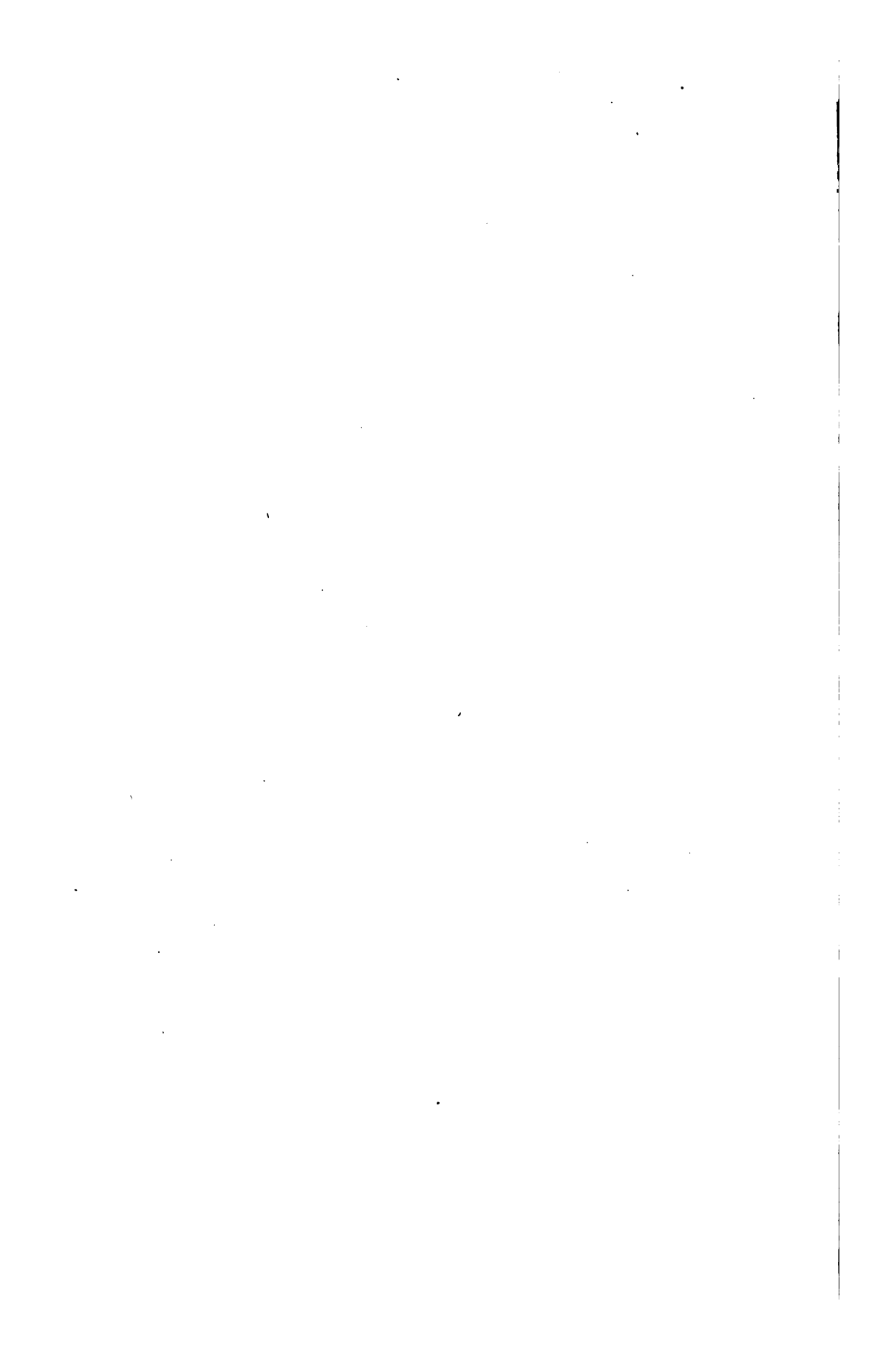
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1909 a



H. R. 18347

HEARINGS

$\frac{12}{362}$

BEFORE THE COMMITTEE ON POST-OFFICES AND POST-ROADS
OF THE UNITED STATES SENATE

ON THE BILL
(H. R. 18347)

MAKING APPROPRIATIONS FOR THE SERVICE OF
THE POST-OFFICE DEPARTMENT FOR THE
FISCAL YEAR ENDING JUNE 30, 1909,
AND FOR OTHER PURPOSES

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COMMITTEE ON POST-OFFICES AND POST-ROADS

SIXTIETH CONGRESS

BOIES PENROSE, *Chairman*

JONATHAN P. DOLLIVER, of Iowa

JULIUS C. BURROWS, of Michigan

NATHAN B. SCOTT, of West Virginia

W. MURRAY CRANE, of Massachusetts

THOMAS H. CARTER, of Montana

CHARLES DICK, of Ohio

JONATHAN BOURNE, Jr., of Oregon

ALEXANDER S. CLAY, of Georgia

JAMES P. TALIAFERRO, of Florida

F. M. SIMMONS, of North Carolina

ROBERT L. OWEN, of Oklahoma

SIMON GUGGENHEIM, of Colorado

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POST-OFFICE APPROPRIATION BILL.

COMMITTEE ON POST-OFFICES AND POST-ROADS,
UNITED STATES SENATE,
Tuesday Morning, May 5, 1908.

The committee met at 11 o'clock a. m.

Present: Senators Penrose (chairman), Dolliver, Guggenheim, Burrows, Scott, Crane, Carter, Dick, Bourne, Clay, Taliaferro, Simmons, and Owen.

The CHAIRMAN. The committee will come to order. Senator Hopkins, do you have any matter to propose?

Senator HOPKINS. Mr. Chairman and gentlemen of the committee, the bill as prepared by the committee on the Post-Office and Post-Roads of the House, on page 17 provides, commencing on line 8, as follows:

Provided, That the Postmaster-General is hereby authorized to contract for a term not exceeding four years from July first, nineteen hundred and eight, by either screen-wagon or underground electric-car service in the city of Chicago, Illinois.

Now, under that arrangement the Second Assistant Postmaster-General has made an arrangement to have the mails carried by screened wagons, and there is a great outcry upon the part of the people of Chicago against this service. All of the associations representing the various interests of Chicago have united in one loud and long protest against that kind of service. As gentlemen of the committee are aware, we have what is denominated the tunnel service in Chicago, which can carry these mails without obstructing the streets.

In obedience to an almost universal demand in Chicago I have prepared an amendment, which reads as follows:

On page 17, line 9, after the word "hereby," strike out the word "authorized" and insert the word "directed;" and in line 11 strike out the words "either screen-wagon or," and in line 12, after the word "Illinois," insert "conditioned, however, that such service shall not cost to exceed the sum of three hundred and twenty-five thousand dollars per year;" so that the proviso will read: "*Provided, That the Postmaster-General is hereby directed to contract for a term not exceeding four years from July first, nineteen hundred and eight, by underground electric-car service in the city of Chicago, Illinois, conditioned, however, that such service shall not cost to exceed the sum of three hundred and twenty-five thousand dollars per year.*"

Now, I will say, gentlemen, that I understand from members of this committee who are present that this tunnel company while they originally thought that they ought to have \$400,000 for this service, in obedience to and in accordance with the sentiment there in Chicago, have reduced their claims \$100,000, so that they would be willing to take the contract for \$300,000.

Now, that the committee may understand the situation as it is, the Second Assistant Postmaster-General has made a contract for \$147,000 a year to carry these mails by screened wagons; but that does not include the establishment of terminals and other expenses that may carry it up to nearly or quite \$300,000.

Senator BURROWS. You say \$147,000?

Senator HOPKINS. Yes, sir; I think that is the amount.

If agreeable to the committee I should like to have Mr. Wheeler state the case from the standpoint of Chicago's business interests.

Senator BURROWS. Let me understand what your amendment proposes, how much?

Senator HOPKINS. Three hundred thousand dollars. My amendment is for \$325,000, but we will be content to reduce it \$25,000, making an even proposition of \$300,000.

Senator TALIAFERRO. So that your proposition would be to increase the present expense about \$140,000?

Senator HOPKINS. It would seem so on the face of it.

Senator TALIAFERRO. But not to exceed that?

Senator HOPKINS. Yes. I think these gentlemen will be prepared to show you that the expense will not be materially increased; but what they desire to show to the committee is that this screened-wagon service is an impossibility in Chicago.

Senator CARTER. The data with reference to this matter will be found on page 133 of the committee's docket.

Senator BURROWS. Your amendment does not permit the Post-Office Department to consider the question of carrying the mails by screened wagons?

Senator HOPKINS. Not at all. It eliminates the screened-wagon service from the service.

Now, Mr. Wheeler.

The CHAIRMAN. Mr. Wheeler, will you state your full name?

Mr. WHEELER. Harry A. Wheeler.

STATEMENT OF MR. HARRY A. WHEELER.

The CHAIRMAN. Whom do you represent, and what is your business?

Mr. WHEELER. The Chicago Association of Commerce.

Mr. Chairman, and gentlemen of the committee, I am asked to speak for the organizations of Chicago on an investigation made by the Chicago Association of Commerce, and unanimously indorsed by the clubs and the business organizations of that city, in an appeal to you to assist us in the matter of having our mails conducted as during the past two years, through the Illinois tunnel or underground, in preference to surface transportation. This is the unanimous call from all the business organizations of our city, and the people of our city represented by such organizations join heartily in this petition.

If you please, Mr. Chairman, I shall read my argument in order that it may be direct and save repetition.

The CHAIRMAN. I will call your attention, Mr. Wheeler, to the fact that this committee will have to adjourn at 12 o'clock, and it is desirable, if possible, to close the hearing on this subject before that time. I mention that only to call your attention to the fact that our time is limited, and so that you will condense your statement as much as possible.

Mr. WHEELER. I shall do so.

Senator BURROWS. Give us the substance of it, and it can then be printed.

The CHAIRMAN. Give us the substance of what you have to say, and confine the speakers to as few representatives as possible, so that it will expedite the work.

Mr. WHEELER. In the first place, this investigation was made with the view to the general good and to the rights of all. We regard, in Chicago, the question of mail carriage across our city as more than a local question. We believe that the prompt and efficient service in this city of ours, while vital to us, is nevertheless a national question, inasmuch as Chicago is the greatest mail-transfer point in the country, and 50 per cent of all mail matter coming within the scope of this contract is through matter in which Chicago is not interested except only to promptly forward to final destination.

No one asserts that the wagon contractor will be unable to carry out his contract, but the judgment of all is more or less influenced by what has transpired with similar contracts in the past. It may be argued that this does not concern the Post-Office Department, inasmuch as an ample bond is filed to cover performance, yet it will be readily admitted as unwise in principle to award a contract where a reasonable doubt of ability to perform may be entertained.

Labor, rentals, fodder, and all materials are higher to-day than at the date of the last wagon award, in July, 1903.

The daily tonnage of through and local mail subject to haul in that year was less than 400 tons. The contract price was \$106,000. The contractor failed, and it cost the bonding source a large sum to complete the contract under conditions very inconvenient to the post-office authorities and to the public.

To-day, cost of equipment, labor, etc., is, conservatively, 25 per cent greater than in 1903. The daily tonnage of through and local mail subject to haul has increased by 80 per cent to more than 700 tons. The wagon contractor's bid is \$145,000.

We are forced to ask ourselves whether this might not argue for a repetition of the difficulties experienced from 1903 to 1906.

Efficiency of service is, we understand, measured in the Post-Office Department by strict adherence to trip schedules.

In gathering our data on the subject of efficiency we sought the records of the Chicago post-office for a comparative statement of past and present service.

Question. What number of failures were recorded against wagon contractors during the months of November, December, January, and February of the last year in which this contract was in effect?

Answer. They were too numerous to mention.

Question. What number of failures were recorded against the Illinois Tunnel Company during November and December, 1907, and January and February, 1908?

Answer. The service has been practically perfect. The percentage of perfection is from 99.40 to 99.70.

Investigation shows that this percentage of efficiency was not always maintained by the tunnel company, but is the result of experience and admirable organization. During the first quarter of 1907, which was the second quarter of their contract, they made 74,000 trips.

Senator BURROWS. We want to get at the vital point as to the necessity of having these mails carried through the tunnels, and that they can not be carried by wagon.

Senator DOLLIVER. First I should like to know whether these tunnels connect with the depots and the post-office, so that they can handle all the business.

Mr. WHEELER. The tunnels have been handling the business since 1906. All the connections were made, at a cost of \$583,000, exclusively for the use of the mail service.

Senator DOLLIVER. Then I should like to know how much more this tunnel service cost than the wagon distribution of these mails.

Mr. WHEELER. Those figures I can not give you. While the wagon bid was \$145,000, the actual charges to be paid by the Post-Office Department under the wagon contract, such as reconstruction at central post-office, renting space at the various stations, additional clerical force, etc., the post-office in Chicago admitted will be about \$50,000, and of course we do not know how much more. The increased mail tonnage, at 15 per cent per annum, which has been the increase for the last three years, I believe would be the basis of an increasing annual clerical cost.

Senator DOLLIVER. One other question. What is going to become of these wagons and the contractors that have agreements with the Government?

Senator BURROWS. I want one word. Some of this mail, I take it, from what you say, is already carried through the tunnel?

Mr. WHEELER. It is all carried through the tunnel.

Senator BURROWS. It is all?

Mr. WHEELER. It is all carried through the tunnel to-day, and the tunnel contract expires in July, 1908.

Senator BURROWS. This year. What is to become of the wagon contract?

Mr. WHEELER. The wagon contract terminated in 1906.

Senator BURROWS. And they have not been employed since then?

Mr. WHEELER. No, sir.

Senator BURROWS. It is all carried through the tunnel?

Mr. WHEELER. Yes, sir.

Senator DOLLIVER. Are they now proposing to increase the price of that service?

Mr. WHEELER. The tunnel company had this contract at \$172,000. It was a serious loss to them, and they asked for \$400,000 before the House committee. Subsequently they reduced their bid to \$300,000, due to the insistence of Chicago interests, which thought they should carry the mail at as nearly absolute cost as may be.

Mr. Chairman, I should like to read you the figures that we regard from a business standpoint—not from the tunnel company's—as the cost of tunnel transportation of mail during 1907.

Senator DOLLIVER. What were they paid for this service, the tunnel people, in 1907?

Mr. WHEELER. One hundred and seventy-two thousand dollars.

Senator DOLLIVER. What will they do with their tunnels if this service is discontinued?

Mr. WHEELER. They will be used for merchandise carriage altogether; but the tunnels built into the railroad stations and post-office will, of course, be closed.

Senator HOPKINS. How many miles of tunnels are there under Chicago devoted to other purposes now in use?

Mr. WHEELER. Forty-five miles.

Senator HOPKINS. How many miles of the tunnel has been devoted to the mail service and parcels system?

Mr. WHEELER. The greater part of it. It covers from one extreme to another, from the extreme depots on the north, south, east, and west, so that you can hardly exempt any one section.

Senator OWEN. I understood you to say that this tunnel company built to the depots and to the post-office and that it cost over \$500,000. That was simply for the purpose of handling the mails, for the collection?

Mr. WHEELER. For nothing else.

Senator OWEN. And now that would be lost to them, that expenditure would be lost to them, if this contract was not renewed?

Mr. WHEELER. You have correctly stated it.

Mr. BURROWS. I understood you to say that it would be practically impossible to carry the mails by wagon?

Mr. WHEELER. We so assert.

Senator BURROWS. Couldn't be done?

Mr. WHEELER. It can be done, but at a loss of efficiency of service, loss of connection, loss of time, and great inconvenience to the city of Chicago.

Senator CARTER. What guarantee has the Post-Office Department that your present terms, if acceded to, will not be increased when the contract comes up to be acted on again?

Mr. WHEELER. We have no assurance, gentlemen, except the fact that this matter has been reduced to a business basis, and a normal business profit allowed—not including interest on bonds; that is a matter for the tunnel company to take care of.

Senator CARTER. On what basis do you figure that \$325,000 would be an equitable and just compensation?

Mr. WHEELER. I will give it to you in this [referring to paper]. The cost of labor during 1907, accurately verified by the association, is \$163,451. Maintenance of way and structures—we have allowed them a percentage, relative to the percentage which the income from the mail contract bore to the total income of the tunnel company, which was \$20,300. Maintenance of equipment, based upon the same method of calculation, \$23,870. General expense, \$20,905.

Senator CARTER. That is the general expense of maintaining the whole system?

Mr. WHEELER. I will divide it for you. Forty thousand dollars represents salaries of executive officers, of clerical force in executive department, electric current, etc.; while \$43,620 represents taxes actually paid upon property owned by the Illinois Tunnel Company. Of this general expense account we have assumed that 25 per cent, or \$20,905, as stated above, may be justly chargeable against cost of mail transportation.

We also felt it fair to allow them 5 per cent on the actual expenditure of \$583,000, spent only in construction of mail tunnels, and that with the items heretofore stated, including labor, etc., made a total of \$257,000, actual cost, during the past year, 1907.

Senator CLAY. Are you a stockholder in the tunnel company?

Mr. WHEELER. I have not a dollar's worth of stock or bonds, and I beg to say also that of this committee of ours, not a member of the committee has at any time ever had or held a dollar's interest in the tunnel company. We are speaking for Chicago, not for one individual interest.

Senator TALIAFERRO. How did you get the accurate expense of operating the tunnel?

Mr. WHEELER. For instance, labor. We took it from the books of the tunnel company; they having carried a heading in 1907 for labor for the post-office service alone. Maintenance of way and structures, we took the books of the tunnel company, the total expenditure for maintenance of way and structures and for maintenance of equipment, and arbitrarily set our own figure at what we thought was a fair proportion that might be charged against the mail contract, considering the other business of the tunnel company. The same was true of the general expense account. These are not the figures submitted by the tunnel company to the House committee, and if you had the tunnel company before you they would probably tell you that their figures are infinitely greater than ours. But we have sought to figure this on the same business basis that we apply to our own affairs—what is the just compensation, covering labor, covering maintenance, and covering interest charges on money expended solely for this one particular purpose.

Senator DOLLIVER. Did I understand you to say that this tunnel service was confined now exclusively to the mails?

Mr. WHEELER. No, sir.

Senator DOLLIVER. Do you mean to say that the tunnel approaches are not used at all for merchandise?

Mr. WHEELER. Not at all, Senator.

Senator DOLLIVER. Will they not ultimately be used for express packages?

Mr. WHEELER. They say not. Their tunnels are also built into the freight depots and for their express matter, but are entirely apart from the mail proposition. These were built by the tunnel company for this one purpose exclusively, mail handling, and for no other.

The CHAIRMAN. Are those tunnels in full operation as a freight proposition in Chicago?

Mr. WHEELER. They are not, sir. They are probably not in operation for more than one-fifth of their actual capacity to-day.

Senator CLAY. When were those tunnels built?

Mr. WHEELER. During the last five or six years.

Senator CLAY. How much do you pay for carrying the mails in Chicago?

Mr. WHEELER. One hundred and seventy-two thousand dollars.

Senator CLAY. You pay how much for the pneumatic-tube service?

Mr. WHEELER. I am not informed on that subject. We have only 9 miles in the entire city.

Senator CLAY. How long has Congress been appropriating for a tunnel service?

Mr. WHEELER. Since September, 1906.

The CHAIRMAN. How many other speakers are there to be heard by this committee?

Mr. WHEELER. None, unless you call on them.

Senator CLAY. How much did the last appropriation bill carry for mail service in Chicago; I mean for the carrying of mails from the depot and delivering them as they wanted them?

Senator HOPKINS. One hundred and seventy-five thousand dollars.

Senator CLAY. How much does this bill carry?

Senator HOPKINS. This bill does not carry anything from the House. There is an appropriation for a lump sum for this service, and then it provides a million and something—this paragraph does not relate to Chicago only, but it provides in a proviso that they can either carry the mails by the screened-wagon service or by this tunnel service, and the Post-Office Department have failed to make a contract with the tunnel service, and it is because of these figures and for this reason that we come to the committee to present the facts.

Mr. WHEELER. We are not figuring locally alone. Remember that 50 per cent of all mail that passes into Chicago and is covered by this contract is through matter that passes from station to station across our city. We are not blest with a union depot. We have a number of stations between which and the post-office mail must be carried, and practically the entire distance this mail must be hauled, across or along the route of our surface lines, blocking our pedestrians and teams, to the interruption of current business, and with absolute right of way; and in the condition in which Chicago's streets are to-day, with the streets torn up already, in reconstruction of our surface transportation lines, with the new passenger subway in prospect, and with the street-car lines sending an ever-increasing number of cars into the loop district, it is physically impossible to maintain efficiency in carrying your through mail for the good of the country at large, apart from the local inconvenience to Chicago itself. We are pleading on the double ground that the country is as much interested in this proposition as is Chicago.

Senator CARTER. To return to the computation of cost, on which you were dwelling a moment ago, will you proceed to give the full figures, as you have them, and account for the amount of \$300,000, according to your theory, as being reasonable?

Mr. WHEELER. Yes, Senator.

Cost 1907 mail contract only.

Labor, superintendent, motormen, station employees, and switch tenders.	\$163, 451. 88
Maintenance way and structure, proportion chargeable to post-office contract.	20, 300. 00
Maintenance equipment, proportion chargeable to post-office contract.	23, 870. 00
General expense.	\$40, 000. 00
Taxes.	43, 620. 00
	<hr/> 83, 620. 00
Proportion chargeable to post-office contract.	20, 905. 00
5 per cent on \$583,000, investment in mail facilities.	29, 150. 00
	<hr/> 257, 676. 88
5 per cent of income to city (on 1908 bid).	15, 000. 00
	<hr/> 272, 676. 88
Estimated margin over cost based upon 1907 expense.	27, 323. 12

Senator CARTER. Of what does the difference between \$257,000 and \$325,000 consist?

Mr. WHEELER. There is no \$325,000. It is \$300,000.

Senator HOPKINS. The way you have that—I put this amendment in when I got some early letters from various associations, put it in at \$325,000, but later, through the insistence of the asso-

ciation which Mr. Wheeler represents, and other associations, the Tunnel Company agreed to take \$300,000.

Senator CARTER. The difference between \$257,000 and \$325,000 you estimate a profit on the transaction?

Mr. WHEELER. No, sir; \$15,000 is taken by the city.

Senator CARTER. For what purpose?

Mr. WHEELER. The charter provides that 5 per cent of the total revenue of the Illinois Tunnel Company shall be paid over to the city.

Senator CLAY. I see no hesitation in allowing the Postmaster-General to decide. Maybe he thinks it is wrong.

Senator HOPKINS. Suppose he does. That is one reason why we are coming to you gentlemen. We do not propose to allow the Post-Office Department to decide.

Senator CLAY. Isn't this a wise provision, that "either screened-wagon or underground electric-car service" may be used? That enables the Post-Office Department to say to the electric company or to the tunnel company, "We will go to the wagons." It is a wise provision.

Senator HOPKINS. Suppose you get a Postmaster-General, or the Assistant who makes the contract, that does not rise to the exigencies of the occasion?

Senator CLAY. That is a violent presumption.

Senator HOPKINS. No; it is not. That is the reason we are appealing to the committee.

Senator DOLLIVER. I would like to get a practical point there. You say that the proposition for the screened-wagon service is \$145,000?

Mr. WHEELER. Yes, sir.

Senator DOLLIVER. And you think that there is in addition \$50,000 more which it will cost the Government; that will make \$195,000. Are there any other charges for screened service that do not show on the face of the contract?

Mr. WHEELER. The charges that might come against it are altogether conditioned upon what transpires in the increased tonnage of the mail. We do not know that this figure is all. For instance, I understand that there is a move on foot to lease on that account, on the west side, some substation, at a cost of \$1,000 a month, and that in all probability to install the proper service it will cost with added employees about \$30,000. But the cost of reconstruction in the main post-office and the cost of additional clerical force at that point to handle the mail must also be considered, because to-day the tunnel company take the mail by chute into their lower levels, handles it with their own employees, and carries it to the station and platforms and delivers it to the railroad employees. Under the proposed wagon contract the post-office must carry the mail to the tail of the wagon at the post-office and at our stations, and must deliver from the tail of the wagon, and that adds cost at every station, and at the post-office.

Senator SCOTT. What length of time would it take for a wagon to come, for instance, from the Illinois Central to the Northwestern depot, or over the canal, by wagon?

Mr. WHEELER. The nearest estimate I can give you is a record that was made where a wagon and double team was taken from South Canal street and Randolph to Siegel Cooper's; it took, one Sunday

morning, when the streets were practically clear, eleven minutes. It took on Tuesday morning, at 11 o'clock, when the streets were normally congested, twenty-nine minutes to make the trip, and the congestion by teams might be or might not be of interest, but it showed how many teams were held up in this process, or how much this team was held up by others. That is twenty-nine minutes. It would be more than twenty-nine minutes from the Illinois Central to the Northwestern.

Now, I understand, that the mail transfer time from the post-office to the Northwestern station is seven minutes. Some of these gentlemen who are on the committee represented here to-day live in Evanston, and have to make that trip to their offices each day, and I think they would say that not less than fifteen to eighteen minutes would be the best average time.

Senator SCOTT. We pay extra prices for rapid transmission of mail from New York to Chicago. It lands over on the Lake front. Now to get it over to Canal street or to the Northwestern depot by this tunnel system, how long does it take, and how long by wagon; what is the difference?

Mr. WHEELER. I should say that the tunnel would not take over fourteen minutes, and the wagon system would take two or two and a half times as long.

Senator SCOTT. That is on through mail?

Mr. WHEELER. Yes, sir.

Senator TALIAFERRO. As a matter of fact, has not the city of Chicago had the benefit of this tunnel service?

Mr. WHEELER. We have for two years, and we hope it may be continued to us.

Senator TALIAFERRO. Well, then, the only authority for the statement of Senator Hopkins that the Post-Office Department is not rising to the exigencies of the occasion is in the fact that they do not seem disposed to pay \$325,000 for this service where they have been getting it for less.

Senator HOPKINS (interrupting). Three hundred thousand dollars.

Senator TALIAFERRO. Three hundred thousand dollars. You have had the service?

Mr. WHEELER. We have had the service.

Senator TALIAFERRO. What reason have you to suppose that you won't have it under this provision of the law?

Mr. WHEELER. Because the contract has been awarded by Postmaster-General McCleary on the ground that the difference between the wagon bid and the tunnel bid was too great for him to assume the responsibility.

Senator TALIAFERRO. The contract has already been let?

Mr. WHEELER. The contract has already been let.

The CHAIRMAN. What was the difference in the bids?

Senator CARTER. One hundred and fifty-five thousand dollars.

Senator BURROWS. Do you know why they dropped from \$400,000 to \$300,000?

Mr. WHEELER. I can only answer that by saying that the pressure that was brought to bear in Chicago was great.

Senator BURROWS. What I want to get at is, did the competing have anything to do with it?

Mr. WHEELER. No, sir.

Senator BURROWS. What is your objection to leaving it, as the bill comes to us from the House, to the discretion of the Postmaster-General to employ either service?

Mr. WHEELER. Senator, is it exactly fair to say to the Post-Office Department, choose between those two things at the difference in cost? There is always a personality in it. Isn't it better if we can get the service to have a direction that the Post-Office Department shall do it, and relieve them of any possible inference that they have played into the hands of the tunnel company?

Senator BURROWS. Yes; and wipe out the possibility of any competition?

Mr. WHEELER. It might have been, sir.

Senator HOPKINS. I want to say to you on that point that I know what the conditions are, and that the \$300,000 is due entirely to the action of the various industrial and commercial associations of Chicago—to their pressure on the tunnel company. They did not want to take it at \$300,000, and they would not care the flip of a copper if this committee refused to adopt the amendment that I have presented here. I presented this amendment in obedience to the demands of the great commercial and industrial interests of Chicago, who say that it is utterly impossible for them to permit that mail wagon service to be instituted in Chicago; it can not be had.

Senator BURROWS. There is force in that.

Senator CARTER. I wish to inquire if you have the figures upon which we have been commenting carried out in table form in your printed statement?

Mr. WHEELER. Yes, sir; I have, with the exception of the percentages, which I had not put into these figures.

Senator BURROWS. I ask that the statement be printed.

The CHAIRMAN. If you will hand your statement to the stenographer he can embody it as representing the full text of your remarks. If there is anything in it that you do not want to publish, you can scratch it out.

The statement is as follows:

MAIL TRANSPORTATION IN CHICAGO—WAGON v. TUNNEL SERVICE.

The Chicago Association of Commerce, in opposing the return to the use of wagons for hauling the mail in Chicago, has endeavored to view the matter from the broad standpoint of general good and with impartial consideration for the rights of all concerned.

Its investigation has been conducted only with the desire to ascertain all the facts and to so correlate these facts that they may be fully convincing, either in supporting the wisdom of the Second Assistant Postmaster-General in his award of contract for wagon service, or prove conclusively that the general welfare demands a continuation of the present tunnel service.

In business circles no contract would be awarded to the lowest bidder as such, but all collateral factors would likewise be considered, and in a contract involving service, and especially a service so important as mail transportation, full consideration should be given to the collateral factors—ability to carry out contract, efficiency of service, local obstacles, as well as general economy.

A NATIONAL QUESTION.

The question of prompt and efficient mail transportation in Chicago, while vital to us, is nevertheless a national question, since this is the greatest mail transfer point in the country, and 50 per cent of all the mail matter coming within the scope of the contract in question is through matter in which Chicago is not interested except only to promptly forward to final destination.

WAGON SERVICE.

No one asserts that the wagon contractor will be unable to carry out his contract, but the judgment of all is more or less influenced by what has transpired with similar contracts in the past.

It may be argued that this does not concern the Post-Office Department, inasmuch as an ample bond is filed to cover performance, yet it will be readily admitted as unwise in principle to award a contract where a reasonable doubt of ability to perform may be entertained.

Labor, rentals, fodder, and all materials are higher to-day than at the date of the last wagon award, in July, 1903.

The daily tonnage of through and local mail subject to haul in that year was less than 400 tons.

The contract price was \$106,000.

The contractor failed, and it cost the bonding source a large sum to complete the contract under conditions very inconvenient to the post-office authorities and to the public.

To-day cost of equipment, labor, etc., is, conservatively, 25 per cent greater than in 1903.

The daily tonnage of through and local mail subject to haul has increased by 80 per cent, to more than 700 tons.

The wagon contractor's bid is \$145,000.

We are forced to ask ourselves whether this might not argue for a repetition of the difficulties experienced from 1903 to 1906.

EFFICIENCY.

Efficiency of service is, we understand, measured in the Post-Office Department by strict adherence to trip schedules.

In gathering our data on the subject of efficiency we sought the records of the Chicago post-office for a comparative statement of past and present service.

"Question. What number of failures were recorded against wagon contractors during the months of November, December, January, and February of the last year in which this contract was in effect?

"Answer. They were too numerous to mention.

"Question. What number of failures were recorded against the Illinois Tunnel Company during November and December, 1907, and January and February, 1908?

"Answer. The service has been practically perfect. The percentage of perfection is from 99.40 to 99.70."

Investigation shows that this per cent of efficiency was not always maintained by the Tunnel Company, but is the result of experience and admirable organization.

The tunnel service was begun in September, 1906, and the record was as follows:

	Trips.	Bags, pouches, etc., handled.	Trip failures.
First quarter, 1907.....	74,011	2,474,584	1,251
First quarter, 1908.....	95,494	2,681,750	87

Surface transportation can not hope to attain to such efficiency, for the natural obstacles are too many.

Let us see what must be done—

Incoming and outgoing mail trains to be met.....	541
Number of tons mail daily transported.....	700 to 750
Number of wagon trips necessary.....	1,000 to 1,200
Proportion transferred during rush hours, 6 to 9 a. m. and 4 to 7 p. m., per cent.....	70

This argues for very low efficiency, when 70 per cent of all the matter must be transported in the hours when the streets of the loop district are already overcongested with teams, the surface transportation lines, and pedestrians.

Another factor affecting efficiency is the weather. During the months of January and February, 1908, when the total failures in present service aggregated 59, Government weather report shows—

January 12 to 17, six days snow on ground, average 4.4 inches.

February 1 to 4, four days snow on ground, average 5.8 inches.

February 19 to 21, three days snow on ground, average 13.3 inches.

No human power would be expected to attain high efficiency during this period.

Low efficiency will result in either delaying outgoing mail trains or in absolute loss of train connections, thereby seriously impairing through mail business. Locally, it will result in delayed deliveries of incoming mail and frequent loss of train connection on outgoing.

LOCAL OBSTACLES.

Chicago's central business district is, by natural boundaries, greatly restricted and each year adds to the congestion, through the desire of all who have business downtown to locate within the loop.

Probably no other city in the world, certainly not in this country, attempts to compress its financial, its wholesale, and its great retail interests all within a space less than ten blocks square, with its surface transportation lines all entering the district, and its railway terminals either within or upon its borders.

CONSTRUCTION.

Under the street-railway ordinances passed about a year ago, the work of reconstruction and rehabilitation of the surface lines running through the loop district is just beginning. An examination of the map from Twelfth street on the south to Indiana street on the north and Halsted street on the west, will show the lines referred to. Commencing at the east, Wabash avenue is almost completely blockaded through the loop district by the reconstruction of the street-car line on that street, and, as each street-car line in the district is reconstructed, that much additional delay will be encountered. There are within the above-named district twenty streets on which there are street-car lines. As one year has elapsed since the passage of the ordinance, and as it required that all the lines shall be rehabilitated within three years, it is easy to see how large a portion of the streets will have to be disturbed during the next two years, and how great an interruption to team traffic such reconstruction will create, not only by the delay in passing across or around the obstacles so created, but also by forcing off of those streets on which construction is proceeding onto other streets, thereby greatly increasing the congestion on the latter, and hampering the progress of any teams through them.

INCREASE IN NUMBER OF STREET CARS.

From statements heretofore given it will be seen that 70 per cent of the movement of mail must be made during the so-called "rush hours," or periods of greatest congestion in the streets. These rush hours are also the hours during which the greatest number of people move to and fro upon the streets and the greatest number of street cars are operated. It is estimated that on the trunk lines of the street-railway systems the service may come to a minimum interval of twenty to thirty seconds, which means a car passing in one direction or the other every ten to fifteen seconds. The number of street cars passing through this territory is increasing and will still more greatly increase in the future, especially during the period of the rush hours.

SUBWAYS.

It is a well-known fact that Chicago is planning for an era of subway construction, and that the subways first to be constructed will be those which will carry street cars underneath the business district. What this period of subway construction will mean in years is not known, but it certainly will last for the life of the proposed teaming contract and be a very difficult obstacle to get around and avoid by team traffic while in progress.

The present congestion, together with the certain increase which will result from these improvements, makes the regulation of our street traffic a serious problem, and in view of our striving to solve it at large expense to the city it is not considerate of the Federal authorities to thrust upon us an additional 69 wagons to make 700 trips through an overcongested district daily during the morning and evening rush hours.

It is not likely that these wagons would observe the city's street-crossing rules when greatly pressed for time, and would, by nonobservance, not only endanger our citizens, but would nullify much of our effort toward effective street-traffic regulation.

ECONOMY.

If economy means simply to purchase that which is offered at the lowest price, then it is useless to argue from the standpoint of economy against this wagon contract; but if true economy presupposes a consideration of all other conditions, then efficiency of service and public safety and order may not be disregarded.

Tunnel bid.....	\$300,000
Additional cost nothing.....	
Wagon bid.....	145, 000
Added for rentals, reconstruction, and clerical force.....	50, 000
	<hr/> 195, 000

Increase mail tonnage 15 per cent per annum. Expenditure for clerical force, etc., would increase in like ratio.

For efficiency and safety, \$105,000.

Whether the bid of the wagon contractor is too low we have no adequate means of knowing, but we have endeavored to ascertain the actual cost to render tunnel service during 1907, not as shown in any public statement, but arrived at by an arbitrary division of items of expense hitherto charged against mail service.

Cost of construction of way and structure to admit carrying mail.....	\$583, 000
Motors used in post-office work.....	62
Daily number of trains in and out of post-office.....	657
Number of trips for year ending April 1, 1907.....	358, 543
Number of cars of mail matter hauled.....	368, 443
Bags, pouches, and packages handled.....	10, 866, 733

Cost 1907 mail contract only.

Labor—superintendent, motormen, station employees, and switch tenders.....	\$163, 451. 88
Maintenance way and structure—proportion chargeable to post-office contract.....	20, 300. 00
Maintenance equipment—proportion chargeable to post-office contract.....	23, 870. 00
General expense.....	\$40, 000. 00
Taxes.....	43, 620. 00
	<hr/> 83, 620. 00
Proportion chargeable to post-office contract.....	20, 905. 00
5 per cent on \$583,000, investment in mail facilities.....	29, 150. 00
	<hr/> 257, 676. 88
5 per cent of income to city (on 1908 bid).....	15, 000. 00
	<hr/> 272, 676. 88
Estimated margin over cost based upon 1907 expense.....	27, 323. 12

From our investigation we are convinced—

First. That wagon transportation of mail can not at any time approach the efficiency of tunnel transportation.

Second. That Chicago and the country at large would be seriously inconvenienced, if not suffer actual loss, from an inefficient service.

Third. That the return to wagons would greatly add to our traffic congestion and would impose a real hardship in view of the necessary public improvements calculated to keep many of our streets in an unserviceable condition during the period of this contract.

Fourth. That the wagons having absolute right of way would not be subject to our existing rules at crossings and their disregard of these rules would cause danger to pedestrians and utter confusion to our traffic.

Fifth. That failure to use a modern public utility like the tunnel is unwarranted retrogression, and the increased cost a wise economy, as purchasing an almost perfect service.

Sixth. That no comparison can be made in the cost of operation of these two systems and that the actual figures submitted herein justifies the charge of \$300,000 bid by the tunnel company.

Seventh. That the difference of \$10,000,000 receipts in excess of disbursements at the Chicago post-office justifies the demand that the most improved available means for handling mails be introduced, not only in the interest of our own city, but in the interest of all that section of the country dependent upon efficiency at this transfer point.

The CHAIRMAN. Now, Mr. Wheeler, I would suggest that you be permitted to go ahead in the ten minutes left to make any further statement you may desire.

Mr. WHEELER. May I just add one thing more, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. WHEELER. Efficiency of service, I think, the country over is paid for in all lines of work. The Post-Office pays high prices for fast service, and it is so in every other line. Therefore we ask that this difference in price be allowed as a matter of efficiency of service, and in view of the fact that our Chicago post-office is not a drain upon the Post-Office Department, but that the difference between receipts and expenditures amply gives us the right to ask of the Post-Office Department the finest mail facilities that can be granted to us in our city, and in that we come and appeal to you for a direct statement, asking the Postmaster-General to make this contract on the basis of \$300,000 for the tunnel service.

Senator SIMMONS. How many wagons would it take?

Mr. WHEELER. Sixty-nine wagons at the present amount of mail carried, making 1,000 to 1,200 trips a day across the center of the city.

Senator DOLLIVER. If that contract is let out, what is to become of the wagons?

Mr. WHEELER. The wagons have not been bought.

Senator HOPKINS. Under existing law the contract can be canceled, you know.

Senator DOLLIVER. It is a little rough on a man to get 69 wagons and then have his contract canceled, isn't it?

Senator HOPKINS. He hasn't got them, and won't get them until next July.

Senator CARTER. Mr. Wheeler, the contract with the screened wagon company is for \$145,000, and I have understood you to say that that does not consist of the whole cost to the Government incident to that class of service.

Mr. WHEELER. It does not.

Senator CARTER. Will you please specify the additions unavoidable in connection with that?

Mr. WHEELER. Reconstruction of facilities at post-office building and added clerical force in the delivery from the post-office floors, mailing floors, to the tail of the wagon on every pound of mail that is carried from the post-office to the various railroad stations.

Senator CARTER. True enough; but would not the same help be required to deposit the mail in your cars?

Mr. WHEELER. No, sir; at the present time in the tunnel service the mail is carried by hand carts to the hole or chute in the floor and dropped down there, and the tunnel company now have nine men in their lower level, doing nothing else but handling the mail. How many more it may take to lift it and store it on the wagons I can not say, but they estimate the cost at the post-office to be about \$50,000.

Senator CARTER. Any other expense besides the \$50,000?

Mr. WHEELER. The additions may come from the branch post-offices, and of course from the increased tonnage, which may increase the clerical force.

Senator CLAY. Probably \$15,000 or \$20,000?

Mr. WHEELER. I believe that figure conservative.

Senator CARTER. So that the actual expense, including the payment of the screened contract of \$145,000 and the admitted expense incidental would be \$195,000. The screened contract is \$147,000—substantially \$200,000 for screened wagon service?

Mr. WHEELER. Yes, sir.

Senator CARTER. And you want \$300,000 the other way?

Senator CLAY. I must confess that I can not see how the screened wagon service would cost more than the other. It seems to me that by the tunnel it could be carried cheaper.

Senator CARTER. What have you to say with reference to the trips made daily, as compared with the screened wagon service?

Mr. WHEELER. The number of trips are not greater per day. One thousand trips per day is about what has been made from the post-office and from the stations by the tunnel company.

Senator CARTER. What is the average tonnage per train?

Mr. WHEELER. It is impossible to compute this, because in a rush case they may throw a sack of registered or special mail on, and it has to go just the same as if it was a train load.

Senator CARTER. What is the average length of haul by train of the average load?

Mr. WHEELER. I should say half a mile from the post-office; from station to station from three-fourths to 1 mile.

Senator CARTER. What is the cost to the Government per ton per mile for carrying the mail through the tunnel?

Mr. WHEELER. I doubt if I can give it to you.

Senator CARTER. That has not been figured.

Mr. WHEELER. That has not been figured.

Senator CARTER. You have about 750 tons of mail per day carried through the tunnel?

Senator HOPKINS. The tunnel company are desirous of making contracts on that plan, but the amount of mail that they handle is such that it would cost the Government infinitely more than under this plan, and this plan that is now adopted is the plan that is advocated by the commercial associations of Chicago, and not one that is advanced by the tunnel company.

Senator CARTER. How does the cost of carrying 750 tons of mail per day for \$300,000 per year compare with the charge made by the railroad companies on the fast mail trains?

Mr. WHEELER. I can not give you that, either. We have not gone into those figures, because we have taken only the local proposition.

Senator CLAY. How much of this tunnel was built purely for carrying these mails? I understand it was built for commercial purposes.

Senator SCOTT. He stated that the \$500,000 was spent for this.

Mr. WHEELER. From the main right of way into railroad passenger stations and the post-office, the construction cost was \$583,000.

Senator SCOTT. That was built for no other purpose than to carry the mails?

Mr. WHEELER. For none other.

Senator SCOTT. It was built for no other purpose than the mail purpose?

Mr. WHEELER. For no other purpose.

Senator BANKHEAD. Several years ago I went to Chicago with a committee from the House to investigate this whole question. We were there a week. Now, what I want to know is if your mails under this wagon-contract system to and from the post-office were all delivered over the surface?

Mr. WHEELER. At that time?

Senator BANKHEAD. Yes.

Mr. WHEELER. At that time, under the wagon contract, yes, sir; every pound of it.

Senator BANKHEAD. Then it can't be done.

Senator BURROWS. I suppose under this wagon delivery they fail very frequently to get the mail to the trains in time?

Mr. WHEELER. The post-office officials told me personally that the failures were so numerous that they could not keep track of them.

Senator CULLOM. I just want to make a remark. When these gentlemen, somebody from Chicago, represented to me first, two or three or four weeks ago, I did not know anything about what was going on, so I went to the Post-Office Department and saw Mr. McCleary. He told me this story which has been repeated here that the wagon service cost \$145,000, but all told, as he said, including outside expenses, \$170,000. This bid was \$300,000. Therefore, was \$130,000 difference, as he figured it up. I told him I didn't know anything about it, but that I wanted to know—he was familiar with it—and told him that the committee wanted to come here to explain the whole thing before it was finally settled. He said he would be glad to have them come, but he said he would like very much to be present or come before the committee himself. I told him that I would telephone him when I found the committee was here, which I did. He will be here to-morrow, as I understand it. I do not care anything about what the result is, except that I want the best and the surest service. But I think you ought to hear, if you can, the Postmaster-General or the Assistant Postmaster-General on this subject before you finally close it up.

Senator HOPKINS. I desire the letter which I hand to the reporter to be printed.

The letter is as follows:

BUILDING MANAGERS' ASSOCIATION OF CHICAGO,
Chicago, April 30, 1908.

*To the Senate Committee on Post-Offices and Post-Roads,
United States Senate, Washington, D. C.*

GENTLEMEN: In a meeting of the board of directors of the Building Managers' Association of Chicago to-day assembled, the following resolutions were unanimously passed:

Whereas the contract of the Illinois Tunnel Company for transporting the mails by underground electric-car service between the post-office and the railway stations of the city of Chicago, Ill., expires on July 1, 1908; and,

Whereas on account of financial considerations, the contract for performing this service for the period of three years beginning July 1, 1908, has been granted to a company which proposes to transport said mail by wagons operating on the surface of the streets of the city of Chicago; and,

Whereas judging from the past, the transportation of said mail by wagons as compared with the present almost perfect service given by the tunnel company will

greatly impair the speed and efficiency of the postal service of the entire country, bringing delay and inconvenience not only to the citizens of Chicago but to those of other cities and countries as well; and,

Whereas the presence of said wagons, making their aggregate of more than one thousand necessary trips per day on the streets, will greatly impede the progress of pedestrians and team traffic in the central business district of Chicago; and,

Whereas the right of way granted to teams transporting the United States mail will be a menace to our police department in enforcing proper regulations for public safety at our street intersections; and,

Whereas the large excess of receipts over disbursements in the revenues from the Chicago post-office justify provision for the most modern equipment possible for the transportation of the United States mail in and through this great city: Therefore

Be it resolved, That the board of directors of the Building Managers' Association, to-day assembled, respectfully petition the Senate Committee on Post-Offices and Post-Roads to give favorable consideration to Senator Hopkins's amendment to House bill No. 18347, to the end that the wagon contract for transporting mail between the post-office and railway stations of Chicago be rescinded, and the Postmaster-General be directed to contract, for a term not exceeding four years from July 1, 1908, by underground electric-car service in the city of Chicago, Ill., conditioned, however, that such service shall not cost to exceed the sum of \$325,000 per year.

Very respectfully submitted.

BOARD OF DIRECTORS BUILDING MANAGERS' ASSOCIATION,
WM. MARSHALL ELLIS, *Secretary*.

The CHAIRMAN. The hour of 12 o'clock is at hand, and this committee stands adjourned until 2 o'clock this afternoon.

At 12 noon a recess was taken until 2 p. m.

AFTER RECESS.

The committee reassembled at 2 o'clock p. m.

STATEMENT OF ABRAHAM L. LAWSHE, THIRD ASSISTANT POSTMASTER-GENERAL.

Mr. LAWSHE. I desire to call the attention of the committee first to the third paragraph of page 24 of the bill, which provides as follows:

For pay of agent and assistants to examine and distribute stamped and official envelopes and newspaper wrappers, and expenses of agency at Dayton, Ohio, including expenses attendant on inspection of manufacture of official envelopes at Cincinnati, Ohio, twenty-five thousand dollars.

The provision for the manufacture of envelopes was formerly—
Senator CRANE. What page is that?

The CHAIRMAN. It is page 24, line 6, of the House bill, Senate print.

Mr. LAWSHE. Up to the beginning of the present fiscal year the work of supervising the manufacture and distribution of the official envelopes was done at Hartford, Conn., under the direction of the Third Assistant Postmaster-General through the stamped-envelope agent. Under the new contract the work was separated. The stamped-envelope contract went to Dayton, Ohio, and for the time being the contract for official envelopes remained at Hartford, I believe, but the official envelopes are now being made at Cincinnati, Ohio. The House bill proposes that the Third Assistant Postmaster-General, through the stamped-envelope agent at Dayton, Ohio, shall have supervision of the inspection of the official envelopes manufactured at Cincinnati. The matter of the official envelopes is under the jurisdiction of the Fourth Assistant Postmaster-General; I have nothing to do with it whatever, and it would be an impracticable proposition for the Third Assistant Postmaster-General to undertake

to supervise that work for the reason that it will require someone from the agency at Dayton to be in Cincinnati practically all the time.

The CHAIRMAN. Do you want that transferred?

Mr. LAWSHE. The Fourth Assistant Postmaster-General is asking for an appropriation for that work and I simply desire to second his request.

The CHAIRMAN. You desire that paragraph changed?

Mr. LAWSHE. I simply suggest omitting the words "including expenses attendant on inspection of manufacture of official envelopes at Cincinnati, Ohio."

Senator TALIAFERRO. Was the appropriation the same?

Mr. LAWSHE. The appropriation should remain the same; in other words, this is trying to squeeze out of the agency appropriation the supervision of the official envelopes, and it is insufficient; I can not do it; this appropriation as it is is inadequate. The salaries of the people now on the roll amount to \$22,360, which leaves only a small margin for the incidental expenses of the agency.

The CHAIRMAN. Was the matter called to the attention of the House?

Mr. LAWSHE. I do not know, but I think it was. I am informed that the House changed it afterwards. The Fourth Assistant Postmaster-General has called attention to the matter, and I simply want to second his recommendation that it be stricken out.

Senator CRANE. I understand that you desire the words "including expenses attendant on inspection of manufacture of official envelopes at Cincinnati, Ohio," stricken out.

Mr. LAWSHE. Yes, sir. There is a provision in the estimate of the Fourth Assistant Postmaster-General for that work. It ought to require the services of at least one man there. I know very little about the conditions at Cincinnati.

Senator CARTER. Let us understand what you desire. In what paragraph do you desire the words "and official" stricken out?

Mr. LAWSHE. I will read it as it ought to be, or as we request it to be:

For pay of agent and assistants to examine and distribute stamped envelopes and newspaper wrappers, and expenses of agency, twenty-five thousand dollars.

Senator TALIAFERRO. You want the words "and official" left out?

Mr. LAWSHE. Yes, sir; I have nothing to do with official envelopes at all. It is a matter that does not come under my jurisdiction. Their purchase and manufacture is under the division of supplies, Fourth Assistant Postmaster-General.

Senator CARTER. You want the words "and official," and also all of the words after "Dayton, Ohio," down to and including "Cincinnati, Ohio," stricken out?

Mr. LAWSHE. Yes, sir; so that the inspection of official envelopes will remain with the Fourth Assistant Postmaster-General as it now is.

Senator CARTER. You want the words "and official" stricken out?

Mr. LAWSHE. Yes, sir. There is one other suggestion that I would make; I think it would be better to strike out "Dayton, Ohio." These contracts change. It is not necessary that the place be designated; that goes with the contract.

Senator BOURNE. Your suggestion is to strike out "Dayton, Ohio," as well?

Mr. LAWSHE. Yes.

Senator CARTER. What would you do in case they say "Dayton?"

Mr. LAWSHE. That is a contingency. The appropriation is just as effective with Dayton as without it, but I think it best to leave it out. If a contractor were to fail, a change might be necessary. It has been carried for years without naming the place.

Senator CRANE. Your suggestion is to close it at "agency?"

Mr. LAWSHE. Yes, sir; I think that would be better.

Now, on line 13 it is provided:

For pay of agent and assistants to examine and distribute postal cards, and expenses of agency, six thousand dollars.

I ask for a little increase in that amount, and for this reason: This appropriation is expended for the most part at Rumford Falls, Me., where the contract for postal cards now is, but one clerk is attached to the postal card distributing agency at St. Louis, and so is one laborer. That has left the agent at Rumford Falls, Me., with but one clerk, and we have had a great deal of trouble there, partly by reason of a lack of force there. There has been bad stock, and all that, but it has now been brought up to contract standard. A post-office inspector, who was recently at Rumford Falls, reported that we were overworking the agent. He could not stand it. I have since been compelled to employ a clerk at \$900 at that agency to help out, and that carries the amount, as the pay now stands, to \$6,220.

Senator TALIAFERRO. What is it that you desire?

Mr. LAWSHE. If you say \$6,500 it will be right.

The CHAIRMAN. Both committees hesitate to exceed the amount except in extraordinary cases.

Mr. LAWSHE. This is an extraordinary case. The work can not be done by two people at Rumford Falls. I have had to employ a third man, and we have had to begin direct distribution from Rumford Falls. That facilitates the distribution of the cards.

Senator CARTER. Does that decrease the work elsewhere?

Mr. LAWSHE. Not appreciably, because it goes to so many points.

The CHAIRMAN. Is that all that you have to suggest to the committee?

Mr. LAWSHE. Not all. I have a good deal. Referring now to line 16—

For payment of limited indemnity for the loss of pieces of first-class domestic registered matter, twenty-five thousand dollars.

The amount of the appropriation is satisfactory; it is simply to the terms that we would like to invite your attention. The practice is when the loss of registered mail is reported to put the case in the hands of a post-office inspector. He has first to establish if there was a loss, then to locate the responsibility for that loss, and to collect the amount of it from the postal employee, contractor, or person at fault. Meantime the settlement of claims for loss of registered mail has been awaiting the collection of the amount from the person at fault. That practice has resulted in claims remaining unpaid one, two, three, and even four years; I think some have remained outstanding more than four years. Superintendent Bucklen now tells me a few have remained outstanding for six years. Some months ago the Department submitted the question to the Comptroller of the Treasury as to whether it could, under the law, defer the payment of indemnity until the amount had been collected from the persons at

fault, and he answered that it could not be so done; that the practice was not in line with the purpose of Congress. I will read just one pertinent paragraph from the Comptroller's decision:

It does not appear but that Congress intended the amount appropriated for indemnification for lost registered mail matter as full and sufficient to meet the needs of the service. If by the methods heretofore employed, the appropriation has been guarded and protected by withholding from claimants the amount of indemnity ascertained to be allowed until due efforts had been made by the Department to recover and make good the loss, then I fear the intention of Congress, so far as the delay has been concerned, is being misconstrued. The claim once established becomes an obligation of the United States that should be settled with reasonable dispatch. If, as stated, the appropriation would upon prompt settlement of established claims for indemnity soon become exhausted, then it appears that your proper source of relief would be to request from Congress an appropriation commensurate with the reasonable needs of this particular branch of your service.

Now, we must take the position that when the proof of the loss is complete we are obliged to pay the indemnity.

Senator CARTER. In what section of the law is the liability of the United States fixed for matter passing through the mail registered?

Mr. LAWSHE. That is to be found in the acts of February 27, 1897 (Ch. 340, 29 Stat. L., 599), and April 21, 1902 (Ch. 563, Stat. L., 117), amending section 3926 of the Revised Statutes.

The CHAIRMAN. How do you want this paragraph to read?

Mr. LAWSHE. I will tell you what I want to do. The appropriations usually have been \$5,000 for that work, and it is inadequate to pay the indemnities as proposed. The House has given us \$25,000, but what we want is a continuous reimbursable appropriation, and I will give you my reasons for it. I know the position of Congress on that question; it is usually opposed to continuous appropriations; but we have a few of them. They are granted when the exigencies of the service seem to demand it. For instance, we have a continuous appropriation for the payment of invalid money orders. No matter when the claim arises, it is payable from that appropriation; it never lapses, and this ought to be the same kind of an appropriation. In the urgent deficiency bill of this session you appropriated a little over a thousand dollars to cover old claims on account of lost registered mail where the appropriations had lapsed. Meantime the claimants were all waiting on adjudicated claims for this appropriation. If you will make this a reimbursable appropriation—that is, that all collections made from persons at fault be deposited to the credit of the appropriation, and make it a continuous appropriation—we will have a fund from which we can make prompt payments and allay dissatisfaction in making settlements.

Senator CARTER. What language would you suggest?

Mr. LAWSHE. I have here what I think would meet the conditions. I will read the language.

For the payment of limited indemnity for the loss of first-class domestic registered matter, thirty-five thousand dollars, provided that not exceeding ten thousand dollars of this amount may be expended for the payment of limited indemnity for the loss of registered articles in the international mails. That hereafter all moneys recovered, collected, or refunded from any source on account of the loss of registered mail of any kind, either foreign or domestic, which after due effort can not be restored to the owners, shall be deposited in the Treasury for service of the Post-Office Department to be used as current revenues; and an appropriation account is hereby created to be denominated "Indemnity for lost registered mail," which shall be credited with all such deposits, the unexpended balances of the appropriations for indemnity for the loss of registered mail for the fiscal years 1906, 1907, and 1908, which are hereby reappro-

priated for this purpose, and all appropriations which are hereby, or which hereafter may be, made for the payment of indemnity for the loss of registered mail, either foreign or domestic. The amounts of moneys authorized to be credited to the appropriation account denominated "Indemnity for lost registered mail" shall be available until exhausted, without regard to fiscal years, for the payment of indemnity for lost registered mail, either foreign or domestic, and for the reimbursement to the owners of such moneys as they may equitably be entitled to and which have previously been deposited in the Treasury as postal revenue to the credit of this appropriation account.

I will file this with the stenographer and ask that it be inserted in the record.

I desire to call attention of the language of the House bill—

That hereafter all moneys recovered or collected on account of loss of first-class domestic registered matter, which in the course of adjustment are not restored to the original owners, shall be covered into the Treasury of the United States.

When money is once covered into the Treasury of the United States it can not be withdrawn except pursuant to an appropriation. If for any reason we have been unable, after, reasonable time, to restore any money to the proper claimant, the amount under this provision must go into the Treasury. Then, if the claim should subsequently come up, we would be without means of paying it under the language of this paragraph, but the paragraph that I have submitted will cure that defect and make it possible for the indemnity claimed for lost matter to be paid. We have, I should say, pending now or outstanding, between \$25,000 and \$30,000 of unpaid claims, some of them of long standing.

Senator DICK. What is the appropriation?

Mr. LAWSHE. It was \$5,000 last year. We are bound by the decision of the Comptroller, and under the present method of appropriation it would soon become exhausted, and then we would have to tell claimants that they can not be paid, that the appropriation is exhausted, and that might be the case with this \$25,000 unless we can put collections to its credit.

Senator CARTER. What becomes of the amount covered in, which has been collected on account of the deficiency or delinquency of the employees uncalled for?

Mr. LAWSHE. That is in the hands of the chief post-office inspector, and that is not a good practice. The chief inspector himself is opposed to it. This proposal takes that fund out of the hands of the chief inspector. The chief inspector carries the balance. It is an old practice that has been carried on for a number of years.

Senator CARTER. The amount when collected from the employee remains in the hands of the chief post-office inspector, and is not covered into the Treasury?

Mr. LAWSHE. It is not.

Senator CARTER. Then why not have the chief inspector pay these claims out of that fund when presented; is that fund not in his hands for that purpose?

Mr. LAWSHE. The fund that is in the hands of the chief post-office inspector represents specific collections from persons at fault, and he pays out that money to the persons entitled to it when he gets it.

Senator CARTER. You can not divert the fund to the payment of any other claim for a specific thing?

Mr. LAWSHE. No, sir.

Senator CARTER. Does this amendment propose to cover into the Treasury these collections as made instead of having them put in the hands of the chief inspector?

Mr. LAWSHE. Yes, sir; except as to cases which may be immediately and satisfactorily adjusted.

Senator CARTER. That I think is a very important matter.

Mr. LAWSHE. It throws the money into the Treasury, where it ought to be.

Senator CARTER. What check have you on the fund thus collected by the inspector?

Mr. LAWSHE. I have none.

Senator CARTER. Has anybody any particular check?

Mr. LAWSHE. I could not say; I do not have jurisdiction of the matter. So far as I know, there is no account rendered to the auditor. He has never required it. It is investigated, I believe, by a committee; it is a matter of internal administration.

Senator CARTER. It is not covered into the Treasury?

Mr. LAWSHE. It is not considered a public fund at all.

Senator CARTER. It is to the private credit of the inspector at some bank, is it?

Mr. LAWSHE. I believe to his credit as chief post-office inspector. This suggestion throws into the public accounts funds that are now handled outside of the official accounts—I will hardly call them official accounts when the holder of the funds is not required to render accounts to the proper auditor.

Senator CARTER. Will you please read the amendment again?

Mr. LAWSHE. It is as follows:

For the payment of limited indemnity for the loss of first-class domestic registered matter, \$35,000, provided that not exceeding \$10,000 of this amount may be expended for the payment of limited indemnity for the loss of registered articles in the international mails. That hereafter all moneys recovered, collected, or refunded from any source on account of the loss of registered mail of any kind, either foreign or domestic, which after due effort can not be restored to the owners, shall be deposited in the Treasury for service of the Post-Office Department to be used as current revenues; and an appropriation account is hereby created to be denominated "Indemnity for lost registered mail," which shall be credited with all such deposits, the unexpended balances of the appropriations for indemnity for the loss of registered mail for the fiscal years 1906, 1907, and 1908, which are hereby reappropriated for this purpose, and all appropriations which are hereby, or which hereafter may be made for the payment of indemnity for the loss of registered mail, either foreign or domestic. The amounts of moneys authorized to be credited to the appropriation account denominated "Indemnity for lost registered mail" shall be available until exhausted, without regard to fiscal years, for the payment of indemnity for lost registered mail, either foreign or domestic, and for the reimbursement to the owners of such moneys as they may equitably be entitled to and which have previously been deposited in the Treasury as postal revenue to the credit of this appropriation account.

Senator CARTER. You desire this in lieu of the phraseology of the House bill?

Mr. LAWSHE. It is suggested as a substitute for that phraseology.

Senator CARTER. What part would you strike out?

Mr. LAWSHE. It should all be stricken out and this substituted. I suggest that all from line 16 to line 24, inclusive, be stricken out.

Senator CARTER. And in lieu thereof to substitute this?

Mr. LAWSHE. Yes, sir. Strike out from lines 16 to 24, inclusive, and insert what I have submitted.

Senator CARTER. What is the unexpended balance to which reference is made?

Mr. LAWSHE. I would prefer that no reference should be made to previous sums appropriated, or balances left over, if the \$35,000 were an adequate sum. Our purpose is simply to throw all such appropriations into one fund.

Senator CARTER. Those balances have lapsed into the Treasury from previous funds, have they not?

Mr. LAWSHE. No, sir. Here is the statement as of April 30, 1908:

Fiscal year 1906:	
Appropriation.....	\$6,000.00
Expended, April 30, 1908.....	4,523.23
Balance unexpended.....	1,476.77
Fiscal year 1907:	
Appropriation.....	5,000.00
Expended, April 30, 1908.....	2,746.45
Balance unexpended.....	2,253.55
Fiscal year 1908:	
Appropriation.....	5,000.00
Expended, April 30, 1908.....	431.77
Balance unexpended.....	4,568.23

Senator CARTER. Would it not be better legislation to simply increase your appropriation here, if necessary, by \$8,000 rather than to recapitulate?

Mr. LAWSHE. And allow these to lapse?

Senator CARTER. They have lapsed. Have they not lapsed?

Mr. LAWSHE. These have not lapsed. The 1906 appropriations will lapse with the 30th of June.

Senator CARTER. Well, 1907?

Mr. LAWSHE. No, sir; for three full fiscal years it is available.

Senator CARTER. Oh, I understand. I think it would be better to let these items lapse or some plan evolved to make your appropriation adequate on the floor of the Senate.

Mr. LAWSHE. We are trying to get enough money to pay all outstanding obligations. We have in sight now, regardless of any claims that might arise in the future, \$26,738.48. Mind you, that is for domestic indemnity alone.

Senator CARTER. Yes; if that phraseology was suggested on the floor of the Senate we would be required to go into a rather extensive explanation, and it seems to me if you get the money immediately you had better increase this appropriation and say some part of it shall be immediately available.

Mr. LAWSHE. We have not begun paying under the Comptroller's decision, because we have not been able to get the claims in proper shape, but we soon will have them in shape. I leave that to the committee.

Senator TALIAFERRO. I want to call your attention to this language.

"That hereafter all moneys collected, recovered, or reported from any source on account of loss of registered matter of any kind, either foreign or domestic, which, after due effort, can not be restored to the

owner, shall be deposited." What do you want with that language in there, "which can not be restored?"

Mr. LAWSHE. Suppose we have a case of this kind: There is a loss; it is plainly apparent where the loss is, and who is responsible. The post-office inspector makes the collection, and the chief inspector makes the disbursement at once, when possible, from the amount received.

Senator TALIAFERRO. Does not that language leave in the custody and control of the inspector the money that he collects up to the time that he determines that it can not be restored to the owner?

Mr. LAWSHE. That is not my intention except as to immediate settlements. If that is the construction, it should be modified.

Senator TALIAFERRO. I ask you if it does not. I will ask you to look at that language. I think all of these moneys ought to be carried into this account. I do not think all of these collections ought to be left for any length of time in the hands of any person. They ought to go in the fund.

Mr. LAWSHE. I agree with you. I will ask that Mr. Buckler, the superintendent of registered mails, who prepared the paragraph, to make a statement with reference to that.

Mr. BUCKLER. I will state that the law (sec. 156, P. L. and R.—sec. 4058, Rev. Stat.) provides that when collections are made the Postmaster-General may restore the money to its rightful owner, and, naturally, the money which the chief inspector collects must be in his custody until the time when he finds that he is unable to restore it to its rightful owner, as he is charged with that duty under the Regulations. When it comes to that point we proposed to have it turned in, so that it gets out of his hands as soon as he finds that he can not within a reasonable time restore it to its rightful owner.

Senator CARTER. Is not the vice of that scheme that it makes the inspectors throughout the country the collectors and the judges of rightful claimants and that, too, without any accounting at all to the Government for their action. Would it not be better to provide, or satisfactory to you, rather, to provide that the inspectors should make collections and immediately remit the same to the Post-Office Department from where it could be covered into the Treasury and let the order of the Postmaster-General go out for the payment of the claim?

Mr. LAWSHE. I am frank to say that I believe that would be the better method from the accounting standpoint.

The CHAIRMAN. Mr. Lawshe, could you not prepare an amendment such as has been suggested by Senator Carter, and submit it to the committee to-morrow?

Mr. LAWSHE. Yes, sir. Am I to understand that what you want me to do is to strike out this provision for carrying the unexpended balances and to provide a way of putting all the collections into this fund and paying all claims therefrom—making an official account of it?

Senator CARTER. Strike out your reference to former appropriation bills and sums likely to lapse; avoid the reappropriation; make an appropriation that is adequate; provide for the repeal of this section which authorizes the inspectors to collect and adjust on their own account, and require that the sums be paid directly into the Treasury of the United States by the Postmaster-General.

Mr. LAWSHE. It comes now to the chief post-office inspector; the individual inspector does not finally dispose of the case, and anyone has the right to appeal to the Department. A case is not settled by the local inspector solely without right of appeal.

Senator CARTER. The objection is that through the inspectors it never gets in touch with the bookkeeping of the United States except in so far as the inspector's office is concerned.

Mr. LAWSHE. I quite agree with you, Senator Carter. I think that all of the accounts of special deposits, trust funds, etc., and every collection and payment appertaining to the Post-Office Department, ought to come into the accounts. The chief thing I am trying to get now is a continuous, reimbursable appropriation—a working fund; that is the chief point aimed at. I will file the paragraph as suggested.

Now, gentlemen, you have a number of letters which really involve the general legislation, which I hope you will consider. I do not desire to trespass upon your time unless you want to take them up. One relates to the question of duplicates of lost checks.

Senator CARTER. Mr. Chairman, I rather think it would be wise to keep out of the domain of general legislation on this bill as far as we can, because we contemplate providing in the bill, at least the Commission would so recommend, for a general revision of the postal laws.

Mr. LAWSHE. I do not care to press the point. I want to invite attention, however, to one matter, and as to this the stenographer need not take notes.

After discussion in executive session, the committee adjourned until to-morrow, Wednesday, May 6, 1908, at 10.30 o'clock a. m.

The Third Assistant Postmaster-General later submitted the following paragraph as meeting the suggestions of the committee:

For the payment of limited indemnity for the loss of first-class domestic registered matter and for the loss of registered articles in the international mails, thirty-five thousand dollars: *Provided*, That all moneys now in the hands of officers and agents of the Post-Office Department and all moneys hereafter recovered, collected, or received from any source on account of the loss of registered mail of any kind, either foreign or domestic, shall be deposited in the Treasury for service of the Post-Office Department; and an appropriation is hereby created to be denominated "Indemnity for lost registered mail" which shall be credited with all such deposits. All appropriations made for the payment of indemnity for the loss of registered mail, either foreign or domestic, shall be available until expended, without regard to fiscal years, for the payment of indemnity for lost registered mail, either foreign or domestic, and for the reimbursement to the owners of such moneys as they may equitably be entitled to and which have previously been deposited in the Treasury to the credit of this appropriation.

In connection with the foregoing the following statement was made:

The proviso limiting the foreign indemnity appropriation to \$10,000 is eliminated, because these indemnities are payable when proof of loss is filed and the requirements of law are met, and to limit the appropriation might cause embarrassment in making prompt and proper settlements.

The law to which Superintendent Buckler referred (sec. 156, P. L. & R.—R. S., 4058), reads as follows:

Whenever the Postmaster-General is satisfied that money or property stolen from the mail, or the proceeds thereof, has been received at the Department, he may, upon satisfactory evidence as to the owner, deliver the same to him.

This paragraph does not relate alone to registry indemnity collections, and should not be repealed.

The Department, in line with the recommendation of the public accountants, proposes to deposit in the Treasury to the credit of the Postmaster-General all offers of compromise now carried in "Special account No. 5" in the name of the Secretary of the Treasury, and all other miscellaneous refundable collections. This will subject these items to scrutiny and audit as desired, and legislation is not understood to be necessary.

COMMITTEE ON POST-OFFICES AND POST-ROADS,
United States Senate, May 6, 1908.

The committee met at 10.30 o'clock a. m.

Present: Senators Penrose (chairman), Burrows, Scott, Crane, Carter, Dick, Bourne, Clay, Taliaferro, Simmons, and Guggenheim.

The CHAIRMAN. General, do you want to address the committee?

Mr. DE GRAW. Yes; if it is your pleasure.

**STATEMENT OF HON. P. V. DE GRAW, FOURTH ASSISTANT
POSTMASTER-GENERAL.**

Mr. DE GRAW. Do you want me to take up the matters just as they occur to me, or do you want me to take them up as they appear in the bill. There are only two or three matters.

The CHAIRMAN. You had better just take them up in your own way. This is the first of the Fourth Assistant?

Mr. DE GRAW. Yes, sir.

The CHAIRMAN. We will hold it until we get that in the bill. Page 206, office of the Fourth Assistant Postmaster-General. Now, what is your first paragraph, General, that you want to call the attention of the committee to?

Mr. DE GRAW. The first one, Mr. Chairman, is the envelope agencies.

The CHAIRMAN. What page is that?

Mr. DE GRAW. Page 207.

The CHAIRMAN (reading):

For pay of agent and assistants to examine and distribute registry envelopes, agent, \$2,000.

Mr. DE GRAW. He is now paid \$2,500. We would like to have him continued at \$2,500. It is a very responsible position, and really it is essential that he should get that much money.

The CHAIRMAN. He is getting \$2,500 now?

Mr. DE GRAW. He is now getting \$2,500. The agency has only been established several months.

The CHAIRMAN. What did you have to establish it—this new legislation?

Mr. DE GRAW. The urgent deficiency bill.

The CHAIRMAN. Oh, yes. Well, does the deficiency bill fix his salary at \$2,500?

Mr. DE GRAW. Yes, sir. The necessity for the place was the distribution of contract—the Hartford contract was split and part of it went to Cincinnati.

The CHAIRMAN. Your estimate was \$2,500. Was that for this office?

Mr. DE GRAW. Yes, sir.

The CHAIRMAN. What is the next matter?

Mr. DE GRAW. We have another office at Cincinnati—the official envelopes. We made an estimate for that office, all told, of \$5,960; for the envelope agent, \$2,500; 1 clerk at \$1,000, 2 clerks at \$900, and 1 laborer at \$660—just a trifle more than the Hartford agency.

Senator DICK. Is that in this bill?

Mr. DE GRAW. It is not in this bill, for this reason: The House committee, as you will see by the printed bill, struck that out entirely, assuming that the agent at Dayton for the stamped envelopes could also manage the office at Cincinnati, which is impracticable. It is shown by a letter sent through the Postmaster-General to your committee that the Third Assistant Postmaster-General can not spare anybody from the Dayton office to look after the Cincinnati business.

The CHAIRMAN. Well, then, you want a new item there of \$5,960?

Mr. DE GRAW. Yes, sir; it is absolutely essential. There are 100 miles separating those two cities.

The CHAIRMAN. Have you prepared such an amendment?

Mr. DE GRAW. I have not prepared the amendment.

The CHAIRMAN. I wish you would prepare the amendment and send it down here to-day. Oh, I see we have a letter here on that.

Mr. DE GRAW. Yes; we detailed it in that letter.

The CHAIRMAN. Well, then, we can prepare the amendment. Wasn't it thoroughly explained in the House?

Mr. DE GRAW. It was; yes, sir.

The CHAIRMAN. All right. What is the next matter?

Mr. DE GRAW. The next is the matter of typewriters.

The CHAIRMAN. What page is that?

Mr. DE GRAW. Page 219.

The CHAIRMAN (reading):

For the purchase, exchange, and repair of typewriting machines, envelope-opening machines, and computing machines, and for the purchase of copying presses, numbering machines, and miscellaneous articles purchased and furnished directly to the postal service, \$105,000.

Mr. DE GRAW. Our original estimate for that, Mr. Chairman, was \$130,000, and we urge most—

The CHAIRMAN. It is \$120,000 here.

Mr. DE GRAW. Oh, that is right; it was \$120,000, and then after reviewing the estimates we sent to the House a revised estimate, which included repairs of these machines, making it \$130,000. We found, and find still, that if we are going to bring all of the larger post-offices up to date with modern appliances it will be absolutely essential to have that much. After the 1st of July we will use a great part of that appropriation on requisitions now pending—on cases that we consider very important cases for the furnishing of machines to post-offices. We have had a great deal of trouble meeting the demands in that regard, and for that reason we would like very much if you could see your way clear—

Senator TALIAFERRO. Your estimate is 50 per cent over the appropriation of last year.

Mr. DE GRAW. That is very true; but you see two years ago we had only \$25,000 for this purpose, and we have been trying to catch up since then. We had \$100,000, in round numbers, last year.

The CHAIRMAN. Eighty thousand dollars.

Mr. DE GRAW. That is correct; we asked for \$100,000 and received \$80,000.

Senator TALIAFERRO. Your estimate was \$50,000 for last year and they gave you \$80,000.

Mr. DE GRAW. The demand was so great that we felt in order to meet the—

Senator CLAY. You say you had \$80,000 last year?

Mr. DE GRAW. I think it was.

Senator CLAY. Well, now you have an unexpended balance on that item of \$2,617?

Mr. DE GRAW. That is an emergency fund which we have to keep for the larger offices so as to be prepared, if they should have a breakdown, to supply them with machines quickly.

The CHAIRMAN. What is your next item, General?

Mr. DE GRAW. The next item is Street Directories. That is not in the bill at all. The House cut it out, not appreciating apparently the importance of it. I took it up afterwards with the committee, and they recognized that it should go in—informally, to me. That Street Directory is very essential. You have a letter there, Senator, that explains it in very few words. If you will permit me, I will read that letter for the benefit of the Senators.

The CHAIRMAN. Go ahead.

Mr. DE GRAW (reading)—

Senator TALIAFERRO. Could you not explain it, General? This letter will be read.

Mr. DE GRAW. Yes; it is principally for the use of postmasters and railway mail clerks. You can not appreciate it unless you look at the book. In the first part of the book you will see where many samples of envelopes have no destination on them at all, and we have to find their destination from the street. Sometimes the streets are duplicated in different cities, and it is a matter that is very, very important to the service generally. We have hundreds of requisitions and orders for these books now. The supply is entirely exhausted, and the print is obsolete. We have been working on the new directory for some time, with one or two clerks compiling matter without additional expense to the office, and if this appropriation of \$12,000 for the printing is allowed we can get out the edition in a very short time after the allowance is available and supply the service with the number needed.

The CHAIRMAN. When was the last edition printed?

Mr. DE GRAW. In 1894.

Senator DICK. Fourteen years ago?

Mr. DE GRAW. Yes, sir.

The CHAIRMAN. If that is 14 years old, don't you think it ought to be brought down to date?

Mr. DE GRAW. That is what we are working on.

Senator TALIAFERRO. What is your idea, to distribute them among the post-office clerks?

Mr. DE GRAW. Only to postmasters and railway mail clerks; only the persons who actually handle the mail. For instance, a railway

mail clerk or a postmaster will run across an address like this, John Smith, 108 Flushing street; that is all there will be. The railway mail clerk will find what cities have Flushing streets, and he will send it to one of those cities, and if it doesn't belong there it will be sent to some of the other cities that have a Flushing street. A great many letters are delivered through that procedure.

The CHAIRMAN. What is the next point, General?

Mr. DE GRAW. That is all I would ask the Senate committee to help us out on.

The CHAIRMAN. Your estimate is very modest, apparently.

Mr. DE GRAW. We are going to try to meet the views of the House committee. They cut us some and we are making some cuts ourselves.

The CHAIRMAN. Now, General McCleary, the committee would like to hear your views on this wagon question. I understand that the Sixth Auditor is here, and he wants to get away, and if you do not object we shall ask you to wait a few minutes until he gets through.

Mr. McCLEARY. Certainly.

Mr. CHANCE. As I am new in the office, I will ask the law clerk, Mr. Kram, to explain just two items we have asked to be incorporated in this bill.

The CHAIRMAN. All right.

STATEMENT OF MR. C. A. KRAM, LAW CLERK.

Mr. KRAM. There are two items which it is desired to have inserted in the postal service bill.

The CHAIRMAN. What are the items?

Mr. KRAM. The one proposes a modification of section 3477 of the Revised Statutes, so that its provisions shall not apply to the payments for rent of post-office premises.

Senator DICK. Is it in the bill?

Mr. KRAM. Not in the bill now under consideration. It is provided for in a separate bill, H. R. 19919, introduced by the chairman of the House Committee on the Post-Office and Post-Roads. Under a decision rendered by the Comptroller of the Treasury, 9 Comptroller's Decisions, page 611, it is held that all payments under a lease must be made to the lessor and not to an agent, collector, or attorney, considering such payments, if made, to be assignments of claims against the United States.

The application of this provision entails upon the office unnecessary correspondence with postmasters and others and has lead to innumerable embarrassments. Postmasters have made payment of rent to agents or attorneys, taking their receipts under the reasonable assumption that as such practice obtains in the business world the Government would accept the receipts without question. Owners of buildings have objected to being burdened with details of that character, having placed the management of their property in the hands of agents employed for that purpose. In some instances owners have asked for a cancellation of the lease if the Government insisted on the technical requirement.

The CHAIRMAN. You want to amend the law so as to permit the Auditor to deal with the conditions?

Mr. KRAM. That is the purpose of the proposed amendment.

The CHAIRMAN. Have you prepared an amendment?

Mr. KRAM. It is embodied in H. R. 19919, a copy of which I have here.

The CHAIRMAN. If you will just hand it to me the committee will take it up.

(Mr. Kram hands chairman the amendment.)

Senator TALIAFERRO. Have you any opinions which you wish to file?

Mr. KRAM. We have already filed them.

The CHAIRMAN. This bill seems to have been introduced as a separate bill in the House by Mr. Overstreet.

The CHAIRMAN. Apparently the House committee favors the amendment.

Mr. KRAM. We are so advised. The other item which it is desired to have inserted in the postal-service bill is a provision for authority to destroy paid money orders, etc., after three years, instead of seven years, as at present provided by act of July 16, 1894. It is believed that such destruction can be made without loss to the Government or inconvenience to the public, and would result in saving of file space, with a corresponding saving of rental.

Senator DICK. Do you refer now to canceled paid money orders?

Mr. KRAM. Yes; to both paid money orders and postmasters' money-order statements. We now have, in the files for the years 1901, 1902, 1903, and 1904, 176,000,000 of paid money orders, weighing 410 tons.

The CHAIRMAN. Which are of no use whatever?

Mr. KRAM. Only rarely is there call for money orders after three years, and the record of unpaid orders provided for in the amendment will furnish the information required in the occasional cases.

The CHAIRMAN. They could really be destroyed in a shorter time than three years, could they not?

Mr. KRAM. There has been some difference of opinion as to the period of preservation. A joint committee appointed in 1906 by the Secretary of the Treasury and the Postmaster-General recommended their destruction after five years. H. R. 19918 is based on that report, except that the period was changed to three years. This period has been recommended by the Auditor. The House bill also follows in that respect the recommendation of the joint commission on business methods of the Post-Office Department and postal service, submitted to the Senate February 10, 1908.

The CHAIRMAN. I see it has been reported in the House also.

Mr. KRAM. Yes, sir. It was introduced March 26, 1908, by Mr. Overstreet, chairman of the Committee on the Post-Office and Post-Roads.

The CHAIRMAN. That is all.

Now, General, the committee wants to ascertain your views as to the tunnel proposition in Chicago, and the relative merits of the conveyance by tunnel and by wagon service.

STATEMENT OF HON. JAMES T. McCLEARY, SECOND ASSISTANT POSTMASTER-GENERAL.

Mr. McCLEARY. Mr. Chairman, the transfer service in Chicago is now being performed largely by what is known as the Illinois Tunnel Company, and for this service the tunnel company receives \$172,600 a year.

The service rendered by the company is about 2 years old. During the first part of the service it was very unsatisfactory. The company did not know how to operate its unique plant. There is nothing like it anywhere else that I know of. The Department did not know how to tell them how to operate it. Both had to learn. During the last six months the service has been very good indeed.

The contract expires June 30 of this year. Some six months ago we asked the tunnel company to make a bid for a new contract, covering a period of three years. As you know, our contracts cover a period of four years, terminating in each of the contract divisions at one time. But this experimental matter had run over one year into the new contract term; hence the three years' instead of the usual four years' contract.

The tunnel company made a bid of \$400,000 per annum, or \$1,200,000 for the three years. I told the gentlemen who tendered the bid that in my judgment I would not be warranted in recommending that sum to Congress. In explaining this item to the House committee I told the committee about what had happened and reiterated what I had suggested, that I did not feel justified in recommending the increase to \$400,000 a year. I stated to the committee that if we could not get a better bid I would feel called upon, as a Government official charged with the responsibility of expenditure of this money, to seek some alternative.

Senator BURROWS. Let me ask you a question right there, if the bid for \$400,000 contemplated the transportation of all the mail or only a part of it?

Mr. McCLEARY. Just what they now transport. I am glad the Senator asked that question, because it enables me to say at this opportune time that a good deal of the mail is transported otherwise. For instance, the heavy mails on the Pennsylvania Railroad, which are carried out by the Burlington and by the Milwaukee, the great lines to the Northwest, one directly west through Omaha to the coast and the other up to St. Paul and Minneapolis, do not have to be transferred at all, because the Pennsylvania occupies the same station as the Burlington and the Milwaukee. By a recent arrangement mails on the Lake Shore, which is the other great heavy line of mail from the East into Chicago, are transferred bodily, in the car in which it comes, around by steam railroad to the Pennsylvania at Union Station. We also transfer some mail by the pneumatic tubes. The remainder is what is transferred by the tunnel service.

Senator BURROWS. What proportion, if you can estimate it, of the whole is carried by this tunnel company—what percentage?

Mr. McCLEARY. About half.

Senator SCOTT. While he is looking that up, do not the pneumatic tubes only serve substations at Chicago? You do not use the tubes for taking mails from one depot to another, do you?

Mr. McCLEARY. Nothing except delayed mail. Where the mail is delayed the pneumatic tubes are used to some extent.

Senator SCOTT. I do not understand that you can send a mail sack through the pneumatic tubes.

Mr. McCLEARY. No, sir; we can not—that is, a sack of mail.

Senator CLAY. How much is the total sum you pay?

Mr. McCLEARY. For pneumatic-tube service, \$17,000 per mile per annum.

Senator CLAY. We pay nearly as much for the pneumatic-tube service as we do for the wagon service?

Mr. McCLEARY. One hundred and twenty-five thousand nine hundred and seventy dollars for pneumatic-tube service and \$172,600 for tunnel service.

Senator CLAY. How many miles are in use?

Mr. McCLEARY. About 8 miles.

Senator CLAY. Is it a success, General?

Mr. McCLEARY. For the purposes for which pneumatic-tube service is designed, it is.

Senator CLAY. It can not be used for this other service?

Mr. McCLEARY. No, sir.

Senator BURROWS. I do not want to interrupt you now, General, I would like to hear your statement, but I want to ask you if you can tell what percentage of the mails are carried?

Mr. McCLEARY. I am advised, Senator, that the transfer mail is about one-half of the total mail in Chicago—that is, it just about equals the amount of mail that is sent from the post-office to the stations.

Senator TALIAFERRO. What percentage of the total mail is carried by this tunnel service?

Mr. McCLEARY. Mr. Masten, who has been investigating this matter for the Department, advises me that about 90 per cent of the transferred mail is sent by the tunnel, and about 10 per cent by car-load lots.

Senator SCOTT. The tubes only carry for the city service, not for any transfer. I know how you use the tubes, because I have seen them work. Senator Clay got the idea that they were used for transfer.

Mr. McCLEARY. The Senator would not, I am sure, have it understood that there is no mail transferred by the pneumatic tubes to the railway station.

Senator SCOTT. That is what I thought.

Mr. McCLEARY. You would not have that understood. There is some mail—late mail, for example—sent by pneumatic tubes.

Senator SCOTT. I understand that if you have a piece of mail it might be transferred, but you can not put it in a sack or package of any kind.

Mr. McCLEARY. Oh, no.

Senator CARTER. Senator Scott's view is that the only mail that passes to the station through the pneumatic tubes is the local mail in Chicago, and not the through mail.

Mr. McCLEARY. That is correct.

Senator SCOTT. That is what I am trying to get at.

Mr. SIMMONS. I understand you mean that some part of the local mail that is passed through these pneumatic tubes comes to the railway station and becomes a part of the mail which is transferred in bulk by this underground process?

Mr. McCLEARY. This tunnel not only transfers mail between railway stations, but it also transfers mail between the post-office and railway stations, and the pneumatic tube is supplemental to that transferred from the post-office to the railway stations.

Senator CARTER. It is passed between the post-office and the railroad station?

Mr. McCLEARY. Yes, sir.

Senator CARTER. Is that reversed—do you send mail into the post-office from the railway station by way of the tubes?

Mr. McCLEARY. Very little. The principal service of the pneumatic tube is to supply local postal stations, not railway stations.

Senator TALIAFERRO. If the tunnels handle 90 per cent of the total mail at Chicago—

Mr. McCLEARY. Transfer mail.

Senator TALIAFERRO. That is, the transfer mail; then there is only 10 per cent which the railways, by virtue of the fact that they use the same station, handle without it.

Senator CARTER. Take the mail between the East and the West, that is principally transferred from station to station or from car to car at Chicago. Mail from the East comes in by way of the New York Central or Michigan Central to a station on the lake front; the Illinois Central at the same point on the south, and must be transferred from that and all other stations to the Northwest, as far as the northwestern road is concerned; but all mail coming in on the Pennsylvania must amount to more than 10 per cent of the total mail passing through the city.

Mr. McCLEARY. I am glad you asked that, Senator, because I would not like to leave the impression—I think about 35 per cent of all the mail that comes in is for transfer.

Senator CARTER. Does the 35 per cent include the mail which is transferred in the cars from the lake front station over to Union Station?

Mr. McCLEARY. Mr. Masten will answer.

Mr. MASTEN. The mail dispatched from the Union Station in Chicago is about 35 per cent of the total mail sent by railroad from Chicago; that includes mail arriving on other trains. There being six railroad depots, there is a varying per cent sent from each of these depots, but the Union Depot has the most.

Senator CARTER. Are there six depots for outgoing trains to the West and South from Chicago?

Mr. MASTEN. I think trains for the West and South leave from all the depots except the Northwestern. They go alone to the West and Northwest.

Senator CARTER. The Northwestern Depot is one station; the Union Station is two. Name the others.

Mr. MASTEN. The Grand Central Station.

Senator CARTER. That is over on the lake front?

Mr. MASTEN. Fifth avenue and Harrison. The La Salle station, Lake Shore and Rock Island. The Dearborn station, Grand Trunk, Erie, Monon, the Santa Fe; those all run West and South. And the Illinois Central Station, which takes the Illinois Central, Michigan Central, and the Wisconsin Central mail.

Senator HOPKINS. Have you named the Polk Street Station?

Mr. MASTEN. I call it the Dearborn.

Senator CARTER. And the mails passing through the city, either going east or west, passes from the Union Station to the extent of 35 per cent?

Mr. MASTEN. About 35 per cent.

Senator HOPKINS. That includes mail taken from the post-office proper over to the Union Station and that is carried in the tunnel.

Senator CARTER. The 35 per cent also embraces the mail transferred over from the Illinois Central by car?

Mr. MASTEN. I believe the carload transfer, in carload lots is between the La Salle Station and the Union Depot only.

Senator TALIAFERRO. Do you wish to adhere then to the statement that there is only 10 per cent of this transferable mail which is not handled by the tunnel?

Mr. McCLEARY. Yes, sir; I think that is about right.

Senator CARTER. That is, 90 per cent of all the mail passing through Chicago or going out from that city or coming into it passes through the tunnel.

Senator TALIAFERRO. What would be the tonnage; what does that 90 per cent represent in tons?

Mr. MASTEN. Two hundred and forty tons a day for the transfer mails.

Senator SCOTT. The statement was made here yesterday that the tonnage amounted to 750 tons a day. Is that correct?

Mr. MASTEN. I believe, sir, if I may be again permitted to answer the question, that the actual record taken in the last five days in October showed a daily average of 375 tons; the largest day was 485 tons.

Senator CARTER. Have you figured out the cost per ton per mile of transporting this mail through the tunnels—the average cost?

Mr. MASTEN. No, sir; no computation of that kind has been made.

Senator CLAY. Can the wagon service be reinstated in Chicago and give to the people of that city a good service?

Mr. McCLEARY. There is no doubt about it in my mind.

Senator TALIAFERRO. May I ask one question before we get off this tonnage? I understood you to say that the average tonnage—that 90 per cent of the mail would represent about 240 tons per day, and then I understood you to say that the tunnels had been handling an average of 375 tons for the last five days in a certain month. How do you reconcile the difference between the 240 and the 375 tons?

Mr. MASTEN. I stated that the average for five days in October, the last five days in October, showed certain figures. Three hundred and seventy-five tons is the average, and 485 is the largest day's business.

The CHAIRMAN. Perhaps it would be well for Mr. McCleary to go on with his statement, and he might cover a good many of these questions.

Senator TALIAFERRO. The Postmaster-General has invited his assistant to answer these question in detail, and I want to see if he could reconcile the difference in the statements before we left that point.

The CHAIRMAN. I understand that.

Senator TALIAFERRO. That is all, sir. I haven't got any information, but we will let that pass.

Mr. McCLEARY. We will try to give it.

Mr. MASTEN. I beg to say that the 485 tons, as I think, represent a fair average for the year. About half of that is the mail transferred between depots, or 240 tons. Now, approximately 90 per cent of that transferred mail is handled by this tunnel.

Senator BURROWS. Now, General, when I interrupted you you were beginning to relate your conversation with these gentlemen about carrying the mail for \$400,000. I wish you would proceed with your story right on from there.

Mr. McCLEARY. I asked Mr. Masten, who has just spoken, and who is one of the gentlemen who travels from our office and who is very well informed about such things, to go to Chicago and investigate the situation and ascertain if there was not some unit of service upon which we could base the amount of pay—to report a unit of service that might be used as a practical basis for payments, so that pay might closely follow service up or down. The unit reported was a train movement, a train to consist of one, two, three, or four of the cars in this tunnel; and a movement to mean the taking of such a train from one railway station to another, or from a railway station to the post-office, or from the post-office to a railway station.

He secured from the tunnel company an estimate that they could afford to perform that service for \$1.05 per train movement. We know from our own figures that there are about 375,000 such train movements in the course of a year. It did not take very long to figure that 375,000 train movements at \$1.05 each made the same old \$400,000 that we had as a general estimate. Again I told the tunnel company that we could not afford to pay that amount, in my judgment.

Manifestly we must seek an alternative. Then the question came, What was to be the alternative? It was felt that there should be an alternative, and I could not wait until you gentlemen passed upon this to secure the alternative, because then it would be too late. So I advertised for wagon service—such service as we have in New York, Philadelphia, Boston, Pittsburg, St. Louis, Cincinnati, Columbus, and every other city in the country except Chicago. You all know, of course, what these screen wagons are; you have seen them on the street; they are standard wagons with screened sides.

In order that there might not be any possibility of failure about getting bids, I again sent Mr. Masten to Chicago to see that bids were secured. Three such bids were secured—one of \$215,000, one of \$163,000 in round numbers, and one of \$145,400.

Senator TALIAFERRO. Will you mention those bids again?

Mr. McCLEARY. Two hundred and fifteen thousand dollars; \$163,000; \$145,400.

You understand, gentlemen, that this wagon service is to transfer every ounce of the mail that is transferred now by the tunnel—to perform the same service now performed by the tunnel.

Senator BURROWS. Precisely the same service?

Mr. McCLEARY. Precisely the same service. The president of the tunnel company was in Washington at the time that these bids were opened. He came to the office and asked me if we had received any bids. I said, "Yes; we have received three." He said, "What are the bids?" I said, "I am not at liberty to tell you just now, but I am at liberty to say to you that if you want the contract you must make a material reduction in the bids you have made." He said, "How material?" I said, "If you want your bid considered you must cut it in two; make it \$200,000." He said, "I can not do it." "Well, then," I said, "there is no use of our talking any longer. I am at liberty to tell you this much, that I can get that work done by screen wagon for less than \$150,000. I am willing to recommend that more be paid you than is paid for the wagon service, but I am not willing to recommend that the sum in excess which you demand shall be paid to you."

Senator CLAY. What was the demand, \$300,000 or \$400,000?

Mr. McCLEARY. Four hundred thousand dollars at that time. I said: "This is the last time that we can have any conference on this subject, because the bids are opened, the gentlemen who made the lowest bid are in town, and the matter must be settled soon." Then he said: "I will make a bid of \$300,000. I don't know that I would do it if I thought you would accept it." I said: "Do not talk in that way. Talk with the understanding that you will do what you offer to do." He said: "I will make a bid of \$300,000." I said: "Put it in writing." He said: "I will go over to the hotel and get a stenographer to do that." I said: "We have plenty of them here." I called in a stenographer, and he made the offer in writing. Of course it was not formal, but it served the purpose I had in mind, which was to make a record for both his sake and my own, so that any time in the future anybody investigating the matter would find the offer in black and white and thus know the whole story.

When he submitted the bid I said: "So far as I am concerned I do not see that my duty would permit me to accept that bid." He said: "That is the best I can do."

One of the gentlemen of the firm who made the bid of \$145,400 was in the adjoining room accompanied by an attorney of the surety company—that is, the American Surety Company—a corporation with \$5,000,000 capital and surplus, whose standing is beyond question. I invited those two gentlemen in and said to the bidder: "This is a very low bid. Before we go any farther I want to know whether you have fully gone over all the elements which constitute the cost of performing this service, and whether you feel that you can perform it well and yet make a fair profit, because the Government feels that it gets its best service when the man performing it does have a fair profit." He said: "Mr. McCleary, I have been in the business of wagon transportation a large part of my life. I have performed service for the Department. You will find my record in your files. I have figured it all out carefully and know all the elements of cost. I feel confident that we can perform the service as you desire it performed, with good horses, good wagons, kept in good condition." Of course, we have the alternative of

fining him if he does not do it. So he has the motive to do it the way we want it done.

Then I turned to the attorney of the bonding company and said: "Have you, as surety, gone over this thoroughly, and do you feel satisfied that this contract can be performed and well performed?" He said: "We have gone over the figures, item by item, and we are satisfied to become the bondsman of this company." I said: "The contract is yours for \$145,400."

As I said to you, gentlemen, I would have been glad if it had been possible to wait until this committee had its session, so that I could have explained it to you first, but for reasons that we all understand, and for which we are sorry—the illness of our highly respected chairman of this committee—you have deferred your meetings. If I had waited until now we could not get ready to do the wagon service July 1, and we could have had no alternative except to accept the tunnel service. That is what I want you gentlemen to understand. It was a case of acting then or having no alternative, and being compelled to pay the \$400,000, for the \$300,000 offer came only after we had secured the wagon-service bid. So it seemed to me perfectly clear that I must secure the alternative.

Senator BURROWS. Are you through with your statement?

Mr. McCLEARY. Yes, sir.

Senator BURROWS. What was done after that?

Mr. McCLEARY. There was nothing very material after that.

Senator BURROWS. You entered into the contract with this company?

Mr. McCLEARY. The contract was executed about a week later.

The CHAIRMAN. Is it a binding contract now, or is it revokable? Can you revoke it?

Mr. McCLEARY. Every advertisement contains notice that the Government reserves the right to abrogate a contract at any time when it seems to be to the public interest to do so by the payment of one month's pay.

The CHAIRMAN. Would it be an equitable proposition?

Mr. McCLEARY. It is a part of the contract.

The CHAIRMAN. Would it be an equitable proposition to revoke this contract now? Has the contractor gone to any expense in purchasing wagons or preparing to execute the contract?

Mr. McCLEARY. I am advised, Mr. Chairman, that the contractor has gone to the expense of \$38,750 up to date. One-twelfth of \$145,000 would be \$12,000. The committee can draw its own conclusions as to the equity of abrogating the contract now.

Senator CARTER. In what way has that amount been expended?

Mr. McCLEARY. The statement filed by the gentlemen to whom the contract is awarded setting forth their items of expense reads as follows:

Obligations incurred and expenditures made up to and including April 27, 1908, by Seger & Meckel for screen-wagon contract.

Stable lease signed for 30 months, total rental.....	\$13,000
Wagons contracted for and in process of construction.....	21,075
Harness contracted for and in process of construction.....	3,175
Bidding expenses, trips to Washington, superintend hire, labor, and miscellaneous expenses to date.....	1,500
Total	38,750

Senator BURROWS. Give me the name of the contractor.

Mr. McCLEARY. The firm name is Seger & Meckel.

Senator BURROWS. And their address is what—where do they live?

Mr. McCLEARY. Chicago.

The CHAIRMAN. General, I have in my hand here a report from your Department stating the irregularities in this service that occurred on Chicago wagon routes numbered here, and also on the tunnels. How do they compare, the two services, as to regularity and efficiency?

Mr. McCLEARY. I will ask Mr. Stewart, who is the superintendent of the adjustment division, and who has charge of this service, to answer.

The CHAIRMAN. Mr. Stewart, will you state how the two services compare; whether there is any great superiority in the tunnel service?

Mr. STEWART. When the conditions are normal there is no great superiority in the tunnel service. The tunnel service does not give us a better schedule than the wagon service does. It does not transport the mails any more rapidly. If there is any superiority, it is in the fact that when they are going entirely they get the mails there. Individual wagons may be interrupted; a snowstorm may interrupt the wagon service for a little while; but the wagon service has the advantage over the tunnel service in this, that if the tunnels are interrupted the whole tunnel service may be down, while if there are obstructions in the streets the wagons have the use of other streets. As a general proposition, the wagon service compares very favorably, under normal conditions.

Senator SCOTT. How about the turning of a bridge; doesn't that affect your wagon service?

Mr. STEWART. It might.

Senator SCOTT. It might, but doesn't it?

Mr. STEWART. It would.

Senator SCOTT. It really does, doesn't it? When the bridges are turned, of course a wagon would not go over the Chicago River?

Mr. STEWART. No, sir.

The CHAIRMAN. What is the cause of failures and delay in the tunnel service? General McCleary stated that they were quite irregular until recently.

Mr. STEWART. Mr. Masten, who has had personal experience there, says that the loss of power and the flooding of the tunnels by water in case of fire will interrupt the tunnel service.

The CHAIRMAN. That is an accident that may occur in the future, just as snow may occur in the wagon service.

Mr. STEWART. Entirely so. I will say, however, that for the past few months the tunnel service has been very excellent.

Mr. McCLEARY. It may not be amiss to remark that in case of a snowstorm the railway trains are more likely to be delayed than the wagons.

The CHAIRMAN. Is it true that the last contractor for wagon service in Chicago failed and his bondsman had to make good?

Mr. STEWART. It is true that the wagon contractor was not able to bear the expense of his contract, and the surety company had to take up the service and perform it. That was for the reason that his bid was too low.

Senator BURROWS. How much was it?

Mr. STEWART. Seventy-two thousand six hundred dollars.

Senator SIMMONS. What year was it—that last year you had the wagon service?

Mr. STEWART. That was in 1906.

The CHAIRMAN. Has the business of transferring mails doubled since that date?

Mr. STEWART. It has not.

The CHAIRMAN. What increase has occurred?

Mr. STEWART. I would not think that there was any material increase; only the increase of natural growth of the mail service. There has been this decrease, that now we are transferring, as General McCleary says, some of those full carload lots of mail which we did not do when we had the wagon service before.

Senator BURROWS. You did not transfer by these carload lots before?

Mr. STEWART. We did not. This is a new arrangement made by the Department within the last year.

Mr. McCLEARY. At this point I desire to insert in the record a letter from Seger & Mickel, the screen-wagon contractors, which contains much pertinent material.

CHICAGO, April 29, 1908.

HON. JAMES T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

SIR: In view of the protests and newspaper agitation which have been made against your award of a contract for mail messenger and transfer service, commonly known as screen-wagon service, in Chicago for three years from July 1 next, and the demand that this contract be abrogated and the service performed by the Illinois Tunnel Company, we submit for your consideration the following:

First. For about two years last past this service has been performed by the Illinois Tunnel Company for an annual consideration of \$172,600. The original bid submitted by the Illinois Tunnel Company for the continuation of this service was for a total of \$1,200,000 for the term, or \$400,000 annually. The consideration specified in the contract which has been awarded for the same service by screen wagons is \$436,200 for the term, or \$145,400 annually, being a total of \$763,800 for the term, or \$254,000 per annum less than the bid of the Illinois Tunnel Company. It was not until after the bids for the new contract had been opened that the Illinois Tunnel Company modified its original bid and offered to perform the service for a total of \$900,000, or \$300,000 per annum. The Illinois Tunnel Company refused to further modify these figures, although requested by you to do so prior to the awarding of the contract for screen-wagon service. The excess of this modified bid over the amount of the screen-wagon contract is \$154,600 per annum, or \$463,800 for the term.

Second. The protests and agitation against the award of this contract for screen-wagon service and the demand that it be abrogated and the work let to the Illinois Tunnel Company for \$900,000, are based principally upon two grounds, (a) the superiority of the tunnel service, and (b) the interference with necessary team traffic in the business district of Chicago, and the congestion of the streets.

As to the superiority of service:

The efficiency of this branch of the public service is measured by the ability of the contractor to expedite the transfer of mail.

Prior to September, 1906, this service was performed by wagon according to time schedules fixed by your office. At the time when the Illinois Tunnel Company entered upon the execution of its present contract the running time schedules were changed by your office so as to require the transfer of the mail in a shorter period of time than had been previously required of the wagon service. Within six months thereafter the inability of the Illinois Tunnel Company to meet the shortened running time schedules was so apparent, and the service actually performed so inefficient, that your office not only threatened to abrogate this contract, but actually advertised for bids for this service by screen

wagons. Two bids, one for about \$165,000 and the other for about \$121,000 per annum were submitted. After these bids had been received and opened it was ascertained that the appropriation for mail messenger and transfer service in Chicago was limited to service by tunnel, and consequently no contract for service by wagon was awarded. During the life of the present tunnel contract your office has increased the running time schedules to practically the same as is now prescribed for the screen-wagon service.

As to the interference with traffic and congestion of streets:

Notwithstanding the ever increasing growth of the city, there has been a very marked decrease in the congestion of traffic in the streets in the business district.

Within the past two years vast quantities of freight, which before that time was transported through the business district by wagon, is now conveyed by lighter boats upon the Chicago River. Many mercantile establishments, formerly employing hundreds of wagons, have removed to locations largely obviating the necessity of transferring their merchandise through the city, and where they can avail themselves of this lighter service, and dispense with many teams. For example, the establishments of Sprague, Warner & Co., Hibbard, Spencer, Bartlett & Co., Montgomery Ward, Reid, Murdoch & Co., Kelly Maus & Co., and many others.

The through routing of street cars, an increased and efficient police service, and the ever increasing traffic in the tunnel itself, have also operated to alleviate congestion in the streets so that it is no longer a serious municipal problem.

A total of 69 wagons is required for this service. All of the wagons will not be upon the streets all of the time. Those actually in service will be scattered over a large area and almost wholly outside of the loop district. At least 60 per cent of the work is performed after 6.30 p. m. and before 7.30 a. m., during which time there is little traffic and no congestion in the streets. At 6.30 p. m. the police detail regulating traffic is not required and is therefore withdrawn.

The service embraced in this contract is confined to the transfer of mail between the post-office and the railroad terminals, and between the railroad terminals. The post-office building is located on Jackson boulevard, which runs east and west and is one block north of the south limit of the loop district—the latter embracing the principal business district of the city. None of the railroad terminals lie within this district. The location of the terminals is such that no transfer of mail between them or between them and the post-office requires the use of the loop district north of Jackson boulevard, excepting the post-office square. In other words, the wagons are never within the loop district north of the south tier of blocks, excepting the post-office square, while the area of greatest congestion is north of Jackson boulevard.

The operation of 69 wagons, more or less, in the business district would have absolutely no appreciable effect upon the traffic in the streets. The service to be performed under the contract covers twenty-four hours every day, is performed almost entirely outside of the loop district, and, as previously stated, at least 60 per cent of the mail is transferred at night.

It is contended that snow and obstructions in the streets will impair the efficiency of the wagon service. Snow in the downtown streets has never been a serious impediment to wagon traffic, while delays due to obstructions in the streets (for example, fires, street car blockades, road repairs, and the like) can be obviated almost entirely by the diversity of routes open to the wagons. Last winter during the progress of the fire at the establishment of Reid, Murdoch & Co., in the loop district, the transfer of mail through parts of the tunnel had to be abandoned for several days on account of smoke and water, and temporary service by wagons was necessary.

Any obstruction to traffic in the tunnel necessarily involves delay in the transfer of mail by that means. A suspension of the power plant would put the entire tunnel service out of commission. While the tunnel service might have to suspend as a unit, such a situation would be impossible with the wagon service.

We therefore submit that the payment to the tunnel company of \$154,600 per annum, a total of \$463,800 for the term over and above the contract price for the wagon service, could not be justified upon the ground of more efficient service by tunnel, or that the wagon service would interfere with other necessary team traffic, or cause congestion of the streets.

Third. No business—national, municipal or individual—can be economically conducted without competition. We perceive no reason why the tunnel com-

pany should have a monopoly upon this particular branch of the Government business. If this mail must be transported by means of a tunnel, then the Illinois Tunnel Company must necessarily transport it—and at its own price. The result would be inevitable and is apparent. The original demand of the Illinois Tunnel Company for the continuation of its service was for an increase of \$227,400 per annum over and above its present rate of \$172,600 per annum. And this was a bid made in competition. This bid was later modified to \$300,000 per annum by reason of the wagon competition, but is still \$154,600 per annum more than the contract price for the wagon service. Imagine competition eliminated and the Illinois Tunnel Company the only eligible bidder! There is no foundation for the contention that this contract should be awarded to the Illinois Tunnel Company to the exclusion of other service because of the greater efficiency of the tunnel service, and no foundation for the claim that screen-wagon service will interfere with traffic; or for abrogating the contract for wagon service and contracting with the Illinois Tunnel Company for the same service at an excess of \$154,600 per year, or \$463,800 for the term.

The offer of the tunnel company includes no service or facilities not provided for in the screen-wagon contract and covered by the bond of the contractors.

Respectfully submitted.

SEGER & MECKEL,
By H. G. SEGER.

Senator CARTER. The sum of \$145,400 is to be paid to the contractor under the contract you have executed. Is that all the expense incidentally or directly attached to this service, as distinguished from the tunnel service?

Mr. McCLEARY. No, sir. It has been estimated that there will be an expense of about \$25,000 beyond the \$145,400 covered by the contract.

Senator TALIAFERRO. Does that fully cover it?

Mr. McCLEARY. I am assured that it will.

Senator CARTER. For what?

Mr. McCLEARY. Part of that expense will be in the post-office itself. The tunnel service delivers the mail in the middle of the post-office right where it is to be handled. The wagon service will deliver it on the Dearborn-street side, into the chutes, and the packages will have to be trucked by men into the building, where it is handled. The employment of these men will probably cost several thousand dollars, perhaps ten or twelve thousand dollars. And there will be some expense at the stations, aggregating, altogether, not more than \$25,000.

Senator BURROWS. You mean \$25,000 will cover it?

Mr. McCLEARY. That is the judgment of Mr. Masten. Mr. Masten thinks now that the extra expense will be much less than \$25,000.

Senator CLAY. Do you have to rent any additional buildings or space?

Mr. McCLEARY. Mr. Masten advises me that it will be necessary to rent space for a platform, costing about \$3,000 a year.

Senator TALIAFERRO. That is included in this \$25,000?

Mr. McCLEARY. Yes, sir. Mr. Masten has just returned from an investigation at Chicago and advises that the one item of \$3,000 will probably cover all additional expense.

Senator SCOTT. How much room around the post-office building in Chicago do the wagons occupy? Can the wagons get to the building in the busy part of the day—is it possible for them to get around that building?

Mr. McCLEARY. I think it is entirely so. I noticed that one of the Chicago papers estimated the number of wagons that will be required as somewhere between 500 and 1,000. The fact is that there will be 69, of which 6 will be in reserve, so that there will be 63 in actual service. I am advised that 60 per cent of this service will be performed between 6 o'clock in the evening and 8 o'clock in the morning, when there is no congestion in the streets, and that another large part of it will be around away from the post-office; naturally going between stations they do not need to go down the Dearborn side of the post-office.

Senator CARTER. Are the 63 wagons all in use for twenty-four hours each day?

Mr. McCLEARY. No, sir; that is the total equipment required to perform the entire service.

Senator CARTER. How many wagons would be in service at any given time?

Mr. McCLEARY. In all parts of the city?

Senator CARTER. Yes.

Mr. McCLEARY. About 50.

Senator CARTER. All these screen wagons are contemplated by the contract.

Mr. McCLEARY. Yes, sir. And that would be in all parts of the city; not in that one spot. They never would all be in one neighborhood at the same time.

Senator CARTER. Some would be en route to and from the Northwestern Station, others to and from the Illinois Central Station, and so on at the different stations?

Mr. McCLEARY. Yes, sir; nearly all outside the congested district.

Senator CARTER. How many wagons would be kept in service between the post-office and the Union Station, for instance?

Mr. McCLEARY. I will ask Mr. Masten to answer that.

Mr. MASTEN. We have not arranged the schedules so that a wagon would be on a particular route.

Senator CARTER. But you know about the number of loads you would have to carry from the post-office to the Union Station and back?

Mr. MASTEN. The advertisement calls for 64 regular trips on week days between the post-office and Union Station.

Senator BANKHEAD. You mean by 64 daily trips for the whole outfit?

Mr. MASTEN. All of them; each of them making at least one trip.

Senator BANKHEAD. You do not mean to say that you would make 64 trips with one wagon?

Mr. MASTEN. The wagons will go to the station 64 times in a day.

Senator CARTER. The distance is how great?

Mr. MASTEN. Fifty-six one-hundredths of a mile; a little over a half mile.

Senator HOPKINS. Over what route would that be—over Adams street?

Mr. MASTEN. Over Jackson boulevard.

Senator HOPKINS. And then down Canal?

Mr. MASTEN. North on Canal.

Senator HOPKINS. That would be 128 wagons that would be on that street during the day?

Mr. MASTEN. During the whole twenty-four hours.

The CHAIRMAN. Sixty per cent of the trips would be made during the night, according to his statement.

Senator CARTER. How much time does it require to make the trip from the post-office ordinarily to Union Station?

Mr. MASTEN. Fifteen minutes is the time given. That also contemplates the turning of the drawbridge and clearing it in that time.

Senator CARTER. You think that twenty minutes would be the limit on an ordinary trip?

Mr. MASTEN. No, sir; fifteen.

Senator CARTER. Fifteen would cover all emergencies of the kind.

Mr. MASTEN. Yes, sir.

Senator BANKHEAD. How many pounds would each wagon carry?

Mr. MASTEN. About three and a half tons; a big wagon. We do not often load them to that capacity.

Senator CARTER. Then the round trip between the post-office and the Union Station by wagon would be made in thirty minutes?

Mr. MASTEN. Yes, sir; plus the loading time.

Senator CARTER. Thirty minutes on the street?

Mr. MASTEN. Yes, sir.

Senator TALIAFERRO. Where do you reside, Mr. McCleary?

Mr. McCLEARY. My home is at Mankato, Minn.

Senator TALIAFERRO. What is your route home?

Mr. McCLEARY. I go through Chicago.

Senator TALIAFERRO. You take a personal interest, then—your own people are personally interested in the prompt and proper handling of mails through Chicago?

Mr. McCLEARY. I am interested as a citizen of the United States; I am especially interested as a citizen of the Northwest.

Senator BURROWS. May I ask you, is it your judgment that this transfer of mail can be performed by the wagon service under the contract you have made as well and as safely as by the tunnel?

Mr. McCLEARY. I think substantially so; yes, sir.

Senator BURROWS. I would like to have you tell me what cities—in what large cities the wagon service is used?

Mr. McCLEARY. In all except Chicago.

Senator BURROWS. In all of them except Chicago?

Mr. McCLEARY. Yes, sir.

Senator HOPKINS. I should like to ask a question on that point. Now, we have cited New York. Are not the postal conditions in New York and Chicago entirely different; in that they have a large post-office at each of the terminals of the roads, and that in Chicago we have only one office, right there in the central part of the city, where everything is congested, which is unparalleled in every other city in the United States? Isn't that correct?

Mr. McCLEARY. I would like to answer that question a little more expansively than by yes or no.

Senator HOPKINS. Take your own way.

Mr. McCLEARY. The transfer mail in Chicago does not go to the city post-office, not even the registry mail. Formerly all mail went to the city post-office, but that is not the practice now. Within the last few months we have completed the plan of keeping the transfer mail out of the city post-office. Not even registered transfer now

goes in the post-office. We now have a registry station at every railway station, so that the transfer mail goes from railroad station to railroad station.

And that does not necessarily take the wagons through the congested district. The congested district is about 12 blocks long and 8 blocks wide. The post-office is within 1 block of the south side of that congested district. We do not need to go into that district with any transfer mail.

Senator HOPKINS. New York has not a central office like Chicago; at each of your stations you have a post-office in New York.

Mr. McCLEARY. New York has a central office away down in the midst of the big skyscrapers. It has a big station at the Forty-second Street Grand Central Station. There is none yet at the new Pennsylvania Station, because the Pennsylvania Station is not yet. There will be when the—

Senator HOPKINS. There is legislation for that, is there not?

Mr. McCLEARY. Oh, yes; but the congested district in New York, where the post-office is, is quite as bad, because it is right down at the point of that island, as the congested district in Chicago, and a greater percentage of the transfer mail has to go over it.

Senator HOPKINS. Do you know how many wagons they use in New York?

Mr. McCLEARY. One hundred and seventy-eight.

Senator HOPKINS. One hundred and seventy-eight?

Mr. McCLEARY. Yes, sir.

The CHAIRMAN. How many would you use in Chicago under this proposed contract?

Mr. McCLEARY. Sixty-nine, of which six are in reserve.

Senator SCOTT. Can you give me the amount of receipts that the post-office in Chicago turns back into the Treasury above their expense of running their office?

Mr. McCLEARY. I think the general report would show that.

The CHAIRMAN. I think we have that.

Senator HOPKINS. It is something over \$10,000,000.

Senator CLAY. That has been taken down; somebody stated it the other day.

Mr. McCLEARY. I wasn't at the hearing.

Senator HOPKINS. It is a profit to the Government of about \$10,000,000.

Mr. McCLEARY. Well, that depends on how you figure it. We up in the Northwest rather fancy that we contribute a good deal to that. That is a mooted question. The actual collection of the money is in the city of Chicago, but I think if our people in adjoining States were not included they would find that their receipts in Chicago would be very small.

Senator CARTER. These offices from the northwestern country remit to Chicago, and thus the surplus receipts of Chicago are enlarged.

Mr. McCLEARY. I mean the volume of business.

The CHAIRMAN. Have you anything further to call the attention of the committee to in this bill, General?

Mr. McCLEARY. Yes, sir.

Senator HOPKINS. Mr. Chairman, would you permit a remark? The gentleman who spoke here yesterday would like to answer some of the points made by General McCleary. The committee are here

and are anxious to present anything that will enlighten this committee, so that they can act fairly to Chicago in this matter.

Senator DICK. Are they points that were not covered yesterday either in his explanation or in his oral argument?

Mr. WHEELER. I should like to substantiate some things that seem—

Senator BURROWS. If we enter into a lawsuit here and have witnesses called pro and con, we won't make much; I do not think it ought to be done. I think when a person makes a statement that is the end of it. If you will allow a man to make a statement and allow somebody else to come in and controvert it, and then permit the first man to make a further statement, there will be no end to this question.

Senator SIMMONS. If General McCleary has made any statement here that he wants to reply to, it seems to me he ought to be given an opportunity to do so.

Senator CLAY. We have never failed to hear a Senator any time he wants to talk; but I declare if we are going to hear argument after argument we will be here on this bill for a week.

Senator TALIAFERRO. I think if the gentlemen want to say something in reply to something that General McCleary has brought out, that we might hear them.

The CHAIRMAN. We will hear you, Mr. Wheeler, if you will be brief.

Mr. WHEELER. I shall. I want to substantiate what was said yesterday in regard to the matter of our information. We obtained it from the Chicago post-office; that was the only source we have. In relation to the cost of the old wagon contract, tonnage, number of trips, etc., we had to take the information from the superintendent of the mail service, who gave us the information precisely as it was stated yesterday. I want to say that it was not any intention of ours to misrepresent matters, and that the information we secured was secured from our headquarters, the only place we could well go to obtain that kind of information.

The post-office in Chicago states that from 700 to 750 tons of mail per day are transferred to and from the local post-offices and the railway stations; but that 20 per cent, perhaps, of the incoming mail is carried about. That is in favor of the Post-Office Department. You understand that I asked for some figures which were given to me by the tunnel company, showing pouches, trips, etc., made during the year 1907, and I found that 659,000 pouches were carried, and they averaged about 40 pounds per pouch. These figures ought to be absolutely correct as they came from the various employees who have carried the mail.

We feel, Mr. Chairman, if I may state just one word more, that this new condition is vital; but we also feel that the Federal Government owes something to Chicago. If the conditions were normal—the conditions are not going to be normal during the next three years—there might be some reason for our asking an increased price to be paid for this service; but if you will investigate the matter in Chicago you will find that we will be up against conditions in the next three years in the matter of streets torn up for subways and other purposes in the loop district, which is becoming more and more a menace to the safety of our people.

Efficiency of service is paid for at a high price. A difference of \$100,000 or something like that between the cost of the wagon contract and the cost of the tunnel contract is hardly enough to warrant disregarding efficiency. Public safety is worth much. We feel that we have a right to appeal to you, in view of what the Chicago post-office is now doing, and we from the Northwest and from the West ask you to make this appropriation, and permit the mails to be carried through the tunnel, instead of further congesting the principal streets. That, as business men of Chicago, we claim to you is a practical impossibility. And we feel that the efficiency of service will be so greatly decreased as the result of the wagon contract that the entire western cities of the country as well as ourselves are vitally interested in this question.

The CHAIRMAN. Now, General, will you go on?

Senator HOPKINS. I wish to thank you for the courtesy which you have shown to me and to the gentleman from Chicago, and we trust that you will take this into careful consideration, and take care of Chicago when you come to prepare your bill.

The CHAIRMAN. General, what is the next proposition?

Mr. McCLEARY. I do not know whether you care, Mr. Chairman, to have me file copies of letters that I have received on this subject from large business houses in Chicago, approving the course that has been taken.

The CHAIRMAN. Yes; you can file them.

Senator BURROWS. Let them go into the record.

The letters are as follows:

TOUSEY VARNISH COMPANY,
Chicago, May 4, 1908.

Hon. J. T. McCLEARY, Washington, D. C.

DEAR SIR: I wish personally to commend you for having made the economical and business-like contract for the carrying of mails in the city of Chicago by wagon, knowing of your wide experience and good judgment in matters of this kind and feeling that the service as contracted for will be thoroughly efficient, and taking into consideration the enormous financial saving which will be made for the Department; also bearing in mind that the tunnel company, being equipped for the work, should have been able to have made a lower bid than the wagon company.

Again I most heartily wish to commend your action in the matter.

Yours, truly,

C. A. TOUSEY.

[James Cunningham, Son & Co., carriage and hearse builders.]

CHICAGO, ILL., April 30, 1908.

SECOND ASSISTANT POSTMASTER-GENERAL,
Washington, D. C.

DEAR SIR: Referring to the question of handling the mails in Chicago, whether by wagons or tunnel, we have had some knowledge of this matter for a few years, and we would like to commend your action in the contract that you have made for the handling by wagons, believing it would be a wise and prudent business proposition and one that any business man spending his own money in his own business would do the same thing.

Yours, truly,

JAMES CUNNINGHAM, SON & Co.

HAMILTON CLUB OF CHICAGO, April 30, 1908.

HON. J. T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

DEAR GENERAL: I think you did perfectly right about the mail messenger contract here in Chicago. I imagine that the wagon service will be more efficient and certainly more economical for the Government. I have known the parties who have secured the contract and they are both reputable gentlemen and will see to it that the Government gets good service here.

With regards,

Yours, very truly,

W. G. EDENS.

[The F. E. Coyne Baking Company.]

CHICAGO, April 29, 1908.

HON. JAMES T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: At the request of some business men of this city, I take the liberty of writing you regarding the proposed plan of changing the depot mail service of Chicago from the underground system to screened wagons.

During my term as postmaster, it became my duty to look into the merits of the tunnel system and I recommended it to the Department at the price then proposed. While I am still of the opinion that the tunnel system, if properly and promptly operated, has its advantages both to the Post-Office Department and the city of Chicago, I do not believe that those advantages are of such import as to justify a cost of more than double the cost of wagon service.

Inasmuch as the tunnel service was installed after I was out of office, I have no means of knowing much about its efficiency, but I do know that Mr. Seger, the present contractor for wagon service, is thoroughly reliable and competent to carry out any contract that he will undertake. I base this opinion on my experience with him when he had former contracts with the Department during my term of office. As a general business proposition, I think the Department is taking the right stand.

With high personal regards, I am,

Yours, respectfully,

F. E. COYNE.

[Segel & Meckel, U. S. Mail Contractors.]

CHICAGO, May 1, 1908.

HON. J. T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: In addition to the facts submitted to you heretofore regarding the matter of teaming on the streets of Chicago, we wish to call your attention to the following which has a direct connection therewith. The Chicago Lighterage Company, J. Gorman, president, and the Merchants Lighterage Company, J. J. Waite, president, are at the present, handling almost the entire freight of the following large concerns instead of their hauling the same by wagon, as was formerly their only means of transportation: Hibbard, Spencer, Bartlett & Co.; National Candy Company; Theo. A. Kochs Company; Atwood & Steel; National Aniline Chemical Company; Arbuckle Bros.; William Gilberts; Nooke, Wheeler, Clough Company; John Sexton & Co.; Independent Peerless Pattern Company; Price Flavoring Extract Company; Jenkins Bros.; B. B. Hancock Company; Merchant Evans Company; P. F. Corbin Company; W. W. Barnard Company; Waterbury Clock Company; Calumet Baking Company; Spaulding & Merrick Co.; Western Transit Company; The Rutland Transit Company.

Furthermore, the Chicago Terminal Railway Company and the Chicago Junction Railway Company have established receiving stations outside the loop district at which carload lots of freight are made up and transferred to their several railway destinations, thereby eliminating the necessity for wagon transportation to the various freight depots.

In addition to the above, the following large teaming concerns report the withdrawal of wagons from street service:

Pennoyer Teaming Company	75
Forbes Teaming Company	60
Employers' Teaming Company	224
Lawler Teaming Company	10
Chicago Sugar Refinery	75
Chicago Teaming Company	10

The above list does not include the many small teaming concerns who have less wagons in service than at former periods.

The above facts and figures show that fully a thousand less teams are using the streets of the downtown district than were formerly in commission.

Respectfully submitted.

SEGER & MECKEL,
By FRED L. MECKEL.

[The Western Union Telegraph Company, supply department.]

CHICAGO, ILL., April 30, 1908.

J. T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: Believing that business methods and economy in expenditures of public funds should prevail in Government matters, and noting by the press the contract you have recently awarded for the carrying of mails in the city of Chicago, at a great saving without detriment to the service, I desire to express to you my hearty approval of your action.

Very respectfully,

J. E. VAN BERSCHOT.

THE TABLET AND TICKET COMPANY,
Chicago, May 4, 1908.

Hon. J. T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: I wish to heartily commend your action in having made the economical and businesslike contract for the carrying of the mails in the city of Chicago.

Relying on the fact of your wide experience and superior judgment in matters of this character and feeling that the service as contracted for will be thoroughly efficient, which I am informed has not been the case while in the hands of the former contractors, viz: The tunnel company, who should have been able to contract at a lower price than the same service could be handled by wagons, showing a desire for unreasonable financial gain, rather than for betterment of service.

Yours, very truly,

ADOLPH SPIELMANN.

[Chicago Iron Store, heavy hardware, iron, and steel.]

CHICAGO, April 30, 1908.

SECOND ASSISTANT POSTMASTER-GENERAL,

Washington, D. C.

DEAR SIR: We wish to commend you for having made the businesslike contract for the carrying of the mails in the city of Chicago and are heartily in favor of your action in making this enormous saving for the Department.

Yours, very truly,

CHICAGO IRON STORE,
BRUCE W. DURHAM,
Manager.

CHICAGO, April 30, 1908.

Hon. J. T. McCLEARY,

Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: Being a citizen and business man of the city of Chicago, I take the liberty to write you commending you for awarding the contract for carry-

ing the mails in our city to such a responsible firm as you have, Messrs. Seger & Meckel; also saving to our Government the several hundreds of thousands each year by so doing. Knowing that they are fully capable of handling the mails to the best interests of Chicago and the Government, I am

Yours, very truly,

THE E. N. MANNING CO.,
E. N. MANNING, *President*.

CHICAGO, April 29, 1908.

Hon. J. T. McCLEARY,
Second Assistant Postmaster-General.

MY DEAR SIR: I feel it my duty to write you approving the course you have taken in awarding the contract for the delivery of mail in this city to Mr. F. Meckel and his associates. I am sure it is greatly to the advantage of the city.

Yours, very truly,

JAS. B. GASCOIGNE.

CHICAGO, May 2, 1908.

Hon. J. T. McCLEARY,
Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: The contract recently made by you with Seger & Meckel, of this city, for the transportation of mails is receiving considerable publicity through the Chicago press. As I have followed this matter very closely, it would appear that the author of some of these articles is not posted on the exact conditions as they exist to-day. Sixty per cent of the mail delivered through the business district of Chicago is before 8 o'clock in the morning and after 6 o'clock at night. The other 40 per cent would not in anyway interfere with traffic during the busy hours. If Seger & Meckel can perform this service for \$145,400 per year, why can not the tunnel company, with improved facilities, perform it for the same amount, or less? Mr. Seger has had a mail contract before and is familiar with all details of the business, and is competent to give a service that will be entirely satisfactory.

For myself and my friends, I wish to commend your action in this matter, as we consider the contract a good one and one that will result in a large saving for the Government, and we hope you will not be influenced in anyway by the articles that are appearing in the Chicago daily press in regard to this matter.

Yours, truly,

J. C. KENNY.

CHICAGO, May 4, 1908.

Mr. J. T. McCLEARY,
Third Assistant Postmaster-General, Washington, D. C.

DEAR SIR: I wish to give my indorsement to the action of your Department in restoring the wagon system of mail delivery in Chicago under present conditions.

Very truly, yours,

RALPH R. LOUNSBURY.

CHICAGO, April 29, 1908.

Mr. J. T. McCLEARY,
Second Assistant Postmaster-General, Washington, D. C.

DEAR SIR: The matter of the conveyance of the United States mail in the city of Chicago has recently become a much-agitated question in this city, and on behalf of myself and my friends I desire to say that I see no reason why the United States Government should pay to the Illinois Tunnel Company a price entirely out of keeping with the amount of work to be done, when the same amount of work can be performed by the mail wagons in a manner equally as satisfactory, for a much less amount. We do not believe that the mail wagons of the United States operating in the streets of Chicago are in anyway a serious objection. I am,

Very truly, yours,

HERBERT E. BRADLEY.

[Stevens-Duryea motor cars.]

CHICAGO, April 28, 1908.

SECOND ASSISTANT POSTMASTER-GENERAL,

Washington, D. C.

DEAR SIR: I notice in the papers that you have awarded the contracts for carrying mail in Chicago by means of wagons instead of the tunnel, thereby making a saving of an enormous sum of money, and I wish to commend you on what I should consider a good business-like contract, as I think it the duty of all good citizens to watch out for the finances of the country, and am most heartily in favor of your action.

Very truly, yours,

LOUIS GETLER.

[Kelley, Maus & Co. (Incorporated), heavy hardware, iron and steel, wood stock, wagon and carriage hardware, carriage trimmings, blacksmiths' and horseshoers' supplies.]

CHICAGO, April 29, 1908.

SECOND ASSISTANT POSTMASTER-GENERAL,

Washington, D. C.

DEAR SIR: In the matter of the Government contract recently made for the carrying of the mails in the city of Chicago by wagons, I desire to personally commend your action, relying on the fact of your wide experience and good judgment in matters of this kind and knowing that the service as contracted for will be thoroughly efficient, and realizing that an enormous financial showing will be made thereby.

Respectfully,

FRED K. MAUS.

CHICAGO, April 28, 1908.

SECOND ASSISTANT POSTMASTER-GENERAL,

Washington, D. C.

DEAR SIR: We, the undersigned, members of the Chicago Association of Commerce, wish to commend you for having made the economical and businesslike contract for the carrying of the mails in the city of Chicago. Relying on the fact of your wide experience and good judgment in matters of this kind, and feeling that the service as contracted for will be thoroughly efficient, we are heartily in favor of your action in making this enormous saving for the Department.

CAPPER & CAPPER.
A. J. WHITE.
WARREN LELAND.
CHARLES W. VAIL.
E. D. KIMBALL CO.
IRWIN BROS. CO.
OWEN H. FAY.
J. C. SMITH.
E. LOUIS KULING.
W. H. POOL.
A. E. ANDERSON & Co.
BOSTON STORE.

CHICAGO, April 28, 1908.

SECOND ASSISTANT POSTMASTER-GENERAL,

Washington, D. C.

DEAR SIR: We, the undersigned, members of the Chicago Association of Commerce, wish to commend you for having made the economical and businesslike contract for the carrying of the mails in the city of Chicago. Relying on the fact of your wide experience and good judgment in matters of this kind, and feeling that the service as contracted for will be thoroughly efficient, we are

heartily in favor of your action in making this enormous saving for the Department.

Standard Varnish Works, per Arthur Davis, jr.; H. McFarlane & Co., A. McFarlane; C. P. Kimball Co.; The Capewell Horse Nail Co., W. G. Newbury, manager; Roth Bros. & Co., Inc., C. H. Roth, president; F. Landon; Steger & Sons, C. G. Steger; Arthur J. O'Leary & Son Co., J. W. O'Leary; McDowell Stocker & Co., G. R. Bennett, treasurer; The H. A. Stocker Machinery Co., by H. A. Stocker, president; The Hanson & Van Winkle Co., T. W. Harris, manager; E. F. Smith; Briggs Hotel Co., William Neidburg, manager; Beatrice Creamery Co., W. S. Johnson, manager; Morris & Co., Thos. E. Wilson, vice-president; Pratt & Lambert, J. N. Weller, resident manager; Tousey Varnish Co., C. A. Tousey, president; The Tablet and Ticket Co., Adolph Spielmann, vice-president and treasurer; Lang, Owen & Co.; Lowell Holt & Co.; W. H. Merritt & Co.; Rumsey & Co.; Logan & Beyan; Christenberg & Co.; Nye & Jensk Grain Co., Jas. Bradley, secretary; T. E. Wells & Co.; Rosenbaum & Brother; The J. K. Armsby Co., J. K. Armsby, president; Dryden Roof Pad Co., per Geo. B. Dryden, president; The Matthews Soda Water Co. of Chicago, C. H. Duberg; American Insulated Wire and Cable Co., by W. T. Brenner, secretary; Kelley, Maus & Co.; Peter Schutler Co.; H. M. Rogers & Co.; Kinney, Rodier Co.; Dryden Rubber Tire Co., by Chas. P. Dryden, manager; Wilber Mercantile Agency, by Marshall D. Wilber, treasurer.

Mr. McCLEARY. One of the points that are made is that by reason of this congestion a great many business houses are now having transfers made by the river, and they are having warehouses built for the purpose of keeping the streets clear.

Senator CARTER. While we are on this subject, General, I wish to inquire why you can not carry the through mail on the belt line, loading your mail cars outside the city?

Mr. McCLEARY. I will ask Mr. Masten to answer that. He is so well informed, having made a special study of Chicago.

Mr. MASTEN. As a matter of fact, the mails come to Chicago in full cars in very few instances. In order to get the mails from the Lake Shore, from train 35, due in Chicago at 8.25 p. m., in a condition to be transferred in a carload lot to union depot, it is necessary to make a transfer en route from six or seven other cars into the one car that will go across the city. The New York and Chicago, the New York and Pittsburg lines, the Lake Shore and the Pennsylvania are the only lines from the east that have more than one car in a train, and it would not be possible on the other train to dispose of the mails at a distance outside of Chicago to enable us to transfer the remaining portions in that car by the belt line. Those belt lines in many instances start at Hammond, some go down as far as Joliet, and it is impossible, I think, to make the transfer by carload lots except in the instances we have already mentioned.

Senator SCOTT. I would like to ask one question in connection with this contract. In your opinion, isn't this really turning the hands of the clock back, to go back to the wagon service in reference to facilities for doing it? Wouldn't it be like carrying mail by canal boat instead of by express train?

Mr. McCLEARY. As a matter of fact, as was stated a few minutes ago by Mr. Masten and Mr. Stewart, the time in transit is not shortened by the tunnel. The time between the post-office and the stations is made just as quickly with the wagons, and I think there was five minutes—

Mr. MASTEN. Five minutes more time added when the tunnel contract went into effect.

Mr. McCLEARY. We gave the tunnel company five minutes more, for this reason: The mail has to be got down 40 feet and it has to be got out of a 40-foot depth. It has to be taken down unless you throw it down.

Senator SCOTT. It takes some time when you move the sacks out of the Chicago post-office and put them on the rear end of the wagons; you ought to allow for that. You can not take the exact minute the train starts in the tunnel. If you are going to take the time that the train starts in the tunnel, you must count out the time that it takes to carry these sacks out and put them in the wagon.

Mr. McCLEARY. The answer to the Senator's question is that we have not turned the hands backward on the dial plate of time, as far as expedition is concerned. I had in mind, Mr. Chairman—it seemed to me that my duty was perfectly clear—as a citizen of the United States I am proud of Chicago; as a citizen of the Northwest I am interested in it, its people, and its industrial prosperity, but as an administrative officer, intrusted with large discretion in the expenditure of public money, I have primarily only two things to consider, namely, efficiency and economy. Efficiency is guaranteed by the character of the men who have the contract. They have a good record in the Department. Moreover, they are backed by a bonding company with \$5,000,000 capital. The economy is plainly shown by the comparative figures.

Senator BURROWS. You have no question about the service being properly and promptly performed?

Mr. McCLEARY. I haven't any; neither have those in whom I trust to give me the accurate information.

The CHAIRMAN. Now, General, will you go on?

Mr. McCLEARY. I am advised that the postmaster at Chicago thinks the wagon service will be all right.

Senator BURROWS. I should like to know who is interested in this tunnel before we get through. I don't know anything about it.

Mr. McCLEARY. I haven't the information.

The CHAIRMAN. Wasn't it bought by one of the railroads?

Mr. McCLEARY. I haven't the information. I have tried to consider this matter impersonally and impartially.

Mr. MASTEN. I should like to say that in a visit to the office of the Illinois Tunnel Company in Chicago, about March 20 of this year, Mr. Kenyon, the general manager of the Illinois Tunnel Company, stated to me that the ownership of the Illinois Tunnel Company had passed into the hands of Mr. Armour and Mr. Harriman, and that the company intended hereafter to secure a living price for the work; that they did not intend to carry the mails at a loss. This statement had no effect to prejudice me either for or against the Tunnel Company.

Senator SIMMONS. Well, this tunnel was not built just for the purpose of carrying the mails—it can be used for other purposes?

Mr. MASTEN. Sixty-six and two-thirds per cent of the business done in 1907 was mail-carrying business.

Senator GUGGENHEIM. The object was not that purpose?

Mr. MASTEN. No, sir.

Senator DICK. Was it originally constructed for that purpose?

Mr. MASTEN. No, sir; for freight-carrying business.

The CHAIRMAN. Constructed under a telephone charter originally for telephone wires, and it was then operated for a freight tunnel.

Senator SCOTT. One of the gentlemen made the statement yesterday that an expenditure of \$585,000 was made to carry the tunnel up to the depot—do you know anything about it—just for the use of the mail and the post-office?

Mr. MASTEN. I was told that some such sum had been expended, but that the construction of the switches—the by-passes, as they are termed—into the depot, perhaps, would not be a loss; that they would hereafter be used for other purposes.

Senator SCOTT. Do you know whether any of these men who were here before us yesterday are interested in the tunnel?

Mr. MASTEN. No, sir; I do not.

Senator SCOTT. Do you know whether they are business men or not, as they claim to be?

Mr. MASTEN. I know some of them by name. I think they are representative business men of Chicago.

The CHAIRMAN. Now, General, you may proceed with your statement.

Mr. McCLEARY. Mr. Chairman, on page 17 of the old print—bottom number 134 and at the top 135; it begins on page 134 and continues on page 135—I would like to offer the following amendment.

Senator SCOTT. Where does it come in?

Mr. McCLEARY. At the end of that paragraph.

Senator SCOTT. At the end of the proviso?

The CHAIRMAN. At the end of the new matter.

Senator SCOTT. That is on page 135?

Mr. McCLEARY. On page 135; at the end of the paragraph on page 135, in connection with the mail bags.

Mr. Chairman, all the repairing of mail bags is now done in the city of Washington, over here in a building near the Union Station. The reason for that is this, that the mail bags are used for carrying mails very much more out of large cities than into large cities, and very much more westward than eastward. In other words, the heavy part of the mails originates in the cities and goes out until it gets to the patrons. The empty equipment is brought back by freight in order to save expense. The largest consumer of mail bags is the city of New York. So we get the mail bags back into this section of the country, and we have been repairing them in the city of Washington in order to have a standard of determining whether the bag is still useful or not, and when it is in proper condition, and to have a central storehouse from which supply can be furnished to these cities along the Atlantic. It has been suggested that a part of this mail does not come as far east as this point, and that perhaps if there were a subrepair shop at Chicago it would save some part of the haul from Chicago here.

We would like to have the amendment read as follows:

For rent, light, fuel, electric power, transportation of machinery, installation of plant, and incidental expenses pertaining to the establishment and maintenance of the subworkshop for the repair of mail equipment at Chicago, Ill., \$5,000.

The CHAIRMAN. What is the next item, General? Give us the bottom number.

Mr. McCLEARY. On page 170.

Senator TALIAFERRO. Railway mail service?

Mr. McCLEARY. Yes, sir. I understand that this committee has before it the proposition of increasing the salaries of the 11 assistant division superintendents from \$2,000 to \$2,250, and I would recommend that if these salaries are going to be increased—and I think they should be, because those men have very responsible positions—the increase be \$500. The division superintendent is sometimes, and in fact often, away from headquarters visiting his division. In his absence the assistant division superintendent has to perform his duties. He must therefore be a high-class man. The division superintendent receives a salary of \$3,000 a year, and he earns every dollar of it. I recommend that the increase be not \$250 but \$500, making the salary of the assistant division superintendents \$2,500.

Senator CRANE. There are 11 of those?

Mr. McCLEARY. Yes, sir.

The CHAIRMAN. Did you introduce an amendment about that, Senator Crane?

Senator CRANE. Yes, sir. There wasn't any regular amendment, Mr. Chairman.

Senator TALIAFERRO. I think we took up an amendment of \$2,250.

Senator CRANE. We referred to it, but there was no amendment introduced. We simply suggested the advisability of increasing the salary of these men, these assistant division superintendents, from \$2,000 to \$2,250.

The CHAIRMAN. We will take that up later.

Senator CRANE. You recommend, General, that they be increased to \$2,500?

Mr. McCLEARY. Yes, sir.

The CHAIRMAN. What is your next point?

Mr. McCLEARY. It is at the foot of page 175. "For actual and necessary expenses of division superintendents, assistant division superintendents, and chief clerk, railway mail service, and railway postal clerks, while actually traveling on company business of the Post-Office Department and away from their several designated headquarters, \$2,000,000," instead of \$20,000—not much of an increase.

Senator CLAY. Let us have that again?

Mr. McCLEARY. On line 14, you will find the words "And railway postal clerks," in the text of the bill as you have it. If you are going to include the railway postal clerk, then you must include in the law sufficient money to take care of them.

Senator CARTER. Have we included them elsewhere in this bill?

Mr. McCLEARY. No, sir.

Senator CARTER. This is for the railway mail clerks who travel and pay their own expenses?

Senator TALIAFERRO. That makes practically a per diem to every clerk who is away from home on duty?

Mr. McCLEARY. It is suggested that these four words, "and railway postal clerks," be included; \$20,000 now covers the traveling expenses of division superintendents, assistant division superintendents, and chief clerk.

The CHAIRMAN. The postal clerks pay their own expenses now?

Senator CARTER. This is entirely new?

Mr. McCLEARY. Yes, sir. These railway postal clerks put this case to us: They say, "We are the only employees of the Government whose duties carry them away from home, whose expenses are not paid while we are away from home, and we think we should not be an exception."

Senator CARTER. What do they get now?

Mr. McCLEARY. Their salaries range from \$800 to \$1,600 a year.

Senator TALIAFERRO. Is \$1,600 the maximum?

Mr. McCLEARY. Yes, sir.

The CHAIRMAN. How does an item as large as this come to be overlooked in the House?

Mr. McCLEARY. The Department did not bring it to the attention of the House. We did not put it into our recommendations.

The CHAIRMAN. The House has put in railway postal clerks and then utterly failed to provide for them.

Mr. McCLEARY. You must either strike out those four words or put in the money.

Senator CARTER. On what basis do you figure the \$2,000,000?

Mr. McCLEARY. I will ask Mr. Grant, who is the head of the railway mail service, to answer that.

Mr. GRANT. Their actual expenses, as shown by vouchers.

Senator CARTER. How do you ascertain what would cover the expense?

Mr. GRANT. We have called upon the division superintendents to figure out that matter. The figures we got aggregated about \$2,700,000.

Senator CARTER. Upon what per diem allowance for subsistence?

Mr. GRANT. Two dollars a day.

Senator GUGGENHEIM. How many of them are there?

Mr. GRANT. There are something over 13,000.

Senator SIMMONS. That would be practically an allowance of \$2 a day for each of them?

Mr. GRANT. That is the maximum.

Senator SIMMONS. They are away from home a great deal?

Mr. GRANT. No; they are not away from home a great deal; a majority of them about half the time.

Senator CARTER. They are hardly away from home half the time. They make a run of eight days, then lay off eight days.

Mr. GRANT. The men on the heavy lines have about half time off.

Senator CARTER. And the time they are on, they are only away from home half time? They are supposed to live at one end or the other?

Mr. GRANT. Many of them do not.

Senator CARTER. That is their fault. I do not think the Department should make that up.

Mr. GRANT. But the estimate was based upon the expense of a clerk when he is absent from his initial terminal. He is supposed to live at his initial terminal, and the estimate was based upon his expenses from the time he starts out on the run until he gets back.

Senator DICK. That would be \$26,000 a day?

Mr. GRANT. Yes, sir.

Senator DICK. But they are away from home only about half time?

Senator CARTER. But say that they are out on duty one hundred and sixty days in a year would be a fair average, would it not, Mr. Grant?

Mr. GRANT. I can not say just what the average would be, but the figures we got are based upon the actual conditions, taking every line by itself.

Senator CARTER. And \$2 per day is the allowance upon which you base your figures?

Mr. GRANT. Yes, sir.

Senator BURROWS. I want to call your attention to this provision on page 175, where you ask an increase of over a million dollars, and you say the term "and railway postal clerks" ought to be eliminated. I will read from the existing law the appropriation made last year:

For actual and necessary expenses of division superintendents, assistant division superintendents, and chief clerks, railway mail service, and railway postal clerks, while actually traveling on business of the Post-Office Department—

Mr. McCLEARY. I guess that I was in error about that.

Senator BURROWS. That is the law to-day—\$20,000.

Mr. McCLEARY. I guess that I was in error about the four words referred to.

Senator CLAY. I suppose you simply use that sum for paying division superintendents and assistant division superintendents, and you do not apply it to railway postal clerks?

Mr. McCLEARY. Yes, sir. Certain railway postal clerks who are assigned to special travel for the Department.

Senator CLAY. Where they are assigned specially to travel you pay their expenses, but you do not pay the expenses of railway clerks except where they are specially assigned?

Mr. McCLEARY. That is correct.

The CHAIRMAN. Have you any smaller items to call our attention to?

Mr. McCLEARY. Before leaving that point I desire to say this, that these railway postal clerks are exceptionally high-class men. I thought I was a pretty good student when I had learned the names of the bones of the body and the principal muscles and the principal blood vessels and nerve centers and so on. The whole number of things was only about a thousand. Some of these men have to know 10,000 dispatches—post-offices and routings—and they are continually changing. The names of the bones, the muscles, etc., are the same in different individuals, but these postal routings are continually changing. All such changes these men have to keep track of. And then they have a position of danger on the railroad. Every few days you hear about someone being killed. The railway postal clerks modestly urge that the high qualifications demanded in them be thus recognized, and there is a great deal to be said in favor of their request.

Senator SIMMONS. Do you not think it would be better to increase the salary right straight out, than to do what you want to do for these men?

Mr. McCLEARY. I put that question to them, and they seem to feel that this allowance for expenses is above all other things what they want.

Senator TALIAFERRO. It puts them on a par with other employees of the Government.

Mr. McCLEARY. It removes the uneasiness. We did increase their salary last year.

Senator CLAY. What was the limit made last year—maximum limit?

Mr. McCLEARY. One hundred dollars, I think.

The CHAIRMAN. Anything else, General?

Senator TALIAFERRO. Wouldn't it be well, Mr. Chairman, to ask the Postmaster-General to prepare a statement, a fair and conservative estimate, of the amount that will be required to pay the expenses of these railway mail clerks when they are away from home?

Senator CLAY. I think it would be a good thing to refer it to a subcommittee.

The CHAIRMAN. I will refer it to a subcommittee composed of Senators Clay, Taliaferro, and Dick.

Mr. McCLEARY. On page 172, following line 15, I would suggest this amendment [reading]:

Provided, That hereafter railway postal clerks on entering the service shall receive a salary of the lowest grade, and no clerk shall be advanced more than two grades in any period, of one year's service.

The amendment last year was that no clerk should be advanced more than \$200 in any one year's service. That has embarrassed us in administration sometimes, and we think that the intent of the law to prevent too frequent and too rapid promotions will be accomplished by this amendment without that embarrassment.

The CHAIRMAN. Will you hand me one of those amendments and indicate where that should go?

Mr. McCLEARY. Here is a bunch of them [handing amendments to the chairman].

The CHAIRMAN. Now, is there anything else, General?

Mr. McCLEARY. On page 172, line 10, I would suggest this amendment [reading]:

That hereafter the Postmaster-General may, in his discretion, under such regulations as he may provide, allow a railway postal clerk leave of absence with pay for a period not exceeding thirty days, or in case of sickness sixty days, in any one year, with the understanding that his duties will be performed without expense to the Government during the period for which leave is granted, he to provide a substitute at his own expense to perform said duties.

That comes in on line 10 of this same page.

Senator CARTER. Do you put that in in lieu of the existing proviso?

Mr. McCLEARY. Yes, sir; strike that proviso out and insert in lieu thereof what I have just read.

Senator TALIAFERRO. Is that the rule that applies to clerks in other Departments?

Mr. McCLEARY. Mr. Grant will answer that.

Mr. GRANT. In other branches of the Government a clerk who is absent thirty days is not obliged to furnish a substitute.

The CHAIRMAN. What is your next point?

Senator CARTER. I recur to the question propounded by some other Senator. Do you know of any other service of the Government in which sixty days for sickness is allowed?

Mr. McCLEARY. Not with pay.

Senator CARTER. For the whole sixty days?

Mr. McCLEARY. In the case of the railway postal clerk, he furnishes his own substitute.

The CHAIRMAN. But Senator Carter's question is, Does that regulation apply to other branches of the postal service?

Senator TALIAFERRO. Other branches of the Government—other clerks in other Departments of the Government—I think the Government clerks, as a rule, have thirty days' leave of absence without being compelled to furnish a substitute, and have thirty days' sick leave.

Mr. McCLEARY. They have leave with pay. Mr. Grant will explain the difference between the Department clerk's leave and that of the railway postal clerk's.

Mr. GRANT. Mr. Chairman, the postal clerks, as a rule, have a week on and a week off, so that they have regularly some time off. They are not exactly like a clerk in one of the Departments, who is working every day. We do not think it is necessary to give the railway postal clerks, in addition to the time they have off, which we think is an equitable arrangement, thirty days additional clear; that is, without furnishing a substitute. This is simply to give the men a little leeway to arrange to be absent for thirty days without losing their pay. They of course have to put a substitute on to do the work and pay him themselves. Only railway postal clerks who work six days in the week throughout the year have leave of absence with pay. The others, who have periods off regularly, have no other leave of absence without furnishing, at their own expense, substitutes to do their work.

Senator CARTER. They receive the pay from the Government as if they were constantly employed, but settle with the substitute on their own account.

Mr. GRANT. Yes; they pay the substitute the regular salary of \$800.

Senator TALIAFERRO. Does that apply to thirty days' leave of absence and thirty days' sick leave?

Mr. GRANT. Yes, sir.

Senator CARTER. Does this not invite into the service a cheaper grade of men for the full sixty days each year?

Mr. GRANT. I do not think so; no, sir. Our experience prior to two or three years ago, when there was no such limitation at all—a man could be absent for three months and still draw his pay and put a substitute on. The Comptroller, when the matter was called to his attention, decided that that could not be done; that we could not pay a man unless he worked. We ask that that privilege be granted to them for a limited period, so as to allow them to have that time without losing their pay.

Senator TALIAFERRO. Under the rules of your Department can not one clerk get off on leave of absence?

Mr. GRANT. Only for a few days.

Senator TALIAFERRO. Well, Mr. Grant, do you think it fair that these men should be required to supply a substitute to the Government when they are ill, for the thirty days that they may be ill?

Mr. GRANT. Well, they always have done that, and there has been no objection to it.

The CHAIRMAN. What becomes of them if they are ill longer than sixty days? Do they have to resign?

Mr. GRANT. If they are absent longer than sixty days they lose their pay. Then we put a substitute in their place.

The CHAIRMAN. What is your next point, General?

Senator CARTER. Just one moment. Would this amendment not allow ninety days absence with pay during the year? The first part of it provides:

That hereafter the Postmaster-General may, in his discretion, under such regulations as he may provide, allow a railway postal clerk leave of absence without pay for a period not exceeding thirty days, or in cases of sickness sixty days in any one year, with the understanding that his duties will be performed without expense to the Government during the period for which leave is granted.

Mr. GRANT. It was not the intention.

Senator TALIAFERRO. Wouldn't it be better to say "thirty days additional?"

Mr. GRANT. That is just a change in the wording.

Senator CARTER. I think it might be construed to mean thirty days as a matter of right and sixty days in cases of illness.

Mr. GRANT. That was not the intention.

Senator CARTER. I think "thirty days additional" will be better.

Senator CRANE. Are they allowed any leave with pay?

Mr. GRANT. The only leave we pay for is where men work every day; that is six days a week. To the other men no leave is allowed. Under the ruling of the Comptroller, if they are absent they lose their pay. We would like to give them a little leeway, and at the same time provide for their pay.

The CHAIRMAN. If a man is injured in the service does his pay continue during his disability?

Mr. GRANT. During his disability to the extent of one year.

The CHAIRMAN. What is your next point, General?

Mr. McCLEARY. On page 175, line 4, in place of the paragraph beginning on that line I would substitute the following [reading]:

For acting clerks, in place of clerks or substitutes injured while on duty, who shall be granted leave of absence with full pay during the period of disability, not exceeding one year, and if said period of disability exceeds one year, then at the rate of 50 per cent of his annual salary for the period of disability exceeding one year, but not exceeding twelve months additional.

This comes in place of the paragraph beginning on line 4 and going down to and including the word "duty," in line 5, and then the paragraph goes on as it is.

Senator TALIAFERRO. How do you determine what these men are entitled to under that provision?

Mr. McCLEARY. I will ask Mr. Grant to answer.

Mr. GRANT. How do we determine what a man is entitled to?

Senator TALIAFERRO. Yes.

Mr. GRANT. Well, it is not hard to determine when a clerk is injured while on duty; if he is in a wreck or injured from any cause beyond his power to control—not the result of his own carelessness or negligence—he is granted leave of absence with pay, and the Department puts a substitute on to do his work.

Senator TALIAFERRO. Well, now, if he is ill you adopt some rule?

Mr. GRANT. No, sir. If a clerk is sick beyond thirty days, he loses his pay. For a period of thirty days he gets his pay and has to provide a substitute.

Senator TALIAFERRO. If he is injured, you take the certificate of his physician as to the length of time that he is disqualified for work?

Mr. GRANT. Generally; yes, sir; unless we have some reason to think that the clerk is able to go to work. We do not always accept the certificate of the physician as final.

Senator CLAY. I suppose you have somebody investigate in suspicious cases?

Mr. GRANT. When we think there is any reason to doubt the clerk's illness or disability, we require him to be examined by some physician named by our division superintendent. He is required to submit to an examination by that doctor at his own expense.

The CHAIRMAN. General, the committee really ought to adjourn now, unless you can get through in a very few minutes, otherwise we will ask you to come back this afternoon. If you are about through, you may as well finish.

Mr. McCLEARY. We have four or five more amendments.

Senator CARTER. Offer your amendments as quickly as you can. I guess we can get through with them in five minutes.

Mr. McCLEARY. There is a proposition—I sent to you, Mr. Chairman, a letter recommending it—that substitutes be allowed a minimum of \$25 per month. I understand that a substitute has to take an examination to show his fitness for the railway mail service, and then he is employed only when there is need for him to take the place temporarily of a regular employee. Such employment is so irregular that a good fellow finds it difficult to hold himself in reserve for the Government. We think that we should be able to guarantee him a minimum of \$25 a month, and allow him to make more than \$25 a month in case his services are required at the regular rate. A young fellow, a young unmarried man, would feel that \$25 would guarantee him board and so on. He could hold himself in reserve for the Government and hope to enter the service by and by. As it is now, we lose a lot of the very best young fellows, and it is for the purpose of holding them that we should like to be able to pay them a minimum of \$25 a month.

Senator GUGGENHEIM. How much does that involve?

Mr. McCLEARY. Fifty thousand dollars a year.

Senator GUGGENHEIM. Do you think that \$25 a month would hold a young man if he is offered a better position?

Mr. McCLEARY. Oh, no. As it is now, many of the very best boys simply can not afford to wait for a regular appointment, however willing.

Senator SIMMONS. If he only worked two or three days, would he still get the minimum?

Mr. McCLEARY. Yes, sir.

Senator CARTER. That is not a regular payment, but would be paid at the end—

Mr. McCLEARY. At the end of each month we would see that he got \$25. If he earned only four or five dollars he would get it just the same.

Senator CARTER. Suppose, for instance, he was not called out during the month at all?

Mr. McCLEARY. He would get the \$25 just the same.

Senator TALIAFERRO. It is an emergency clause?

Mr. McCLEARY. It is exactly for an emergency. "Emergency clause" is just what it is.

The CHAIRMAN. Are most of these substitutes called some time during the month?

Mr. McCLEARY. Generally; sometimes only for a day or two.

The CHAIRMAN. Well, in every case they would earn some of this \$25 by actual work?

Mr. McCLEARY. I shall ask Mr. Grant to state his understanding of the proposition.

Mr. GRANT. The idea is that we shall guarantee a man eleven days a month. The pay of a substitute is \$2.20 a day, and that would be about eleven days' work. We do not contemplate to pay that man \$25 if he doesn't do any work, but we would guarantee him \$25 worth.

Senator GUGGENHEIM. Do you draw on this list very often during the year?

Mr. GRANT. Yes, sir.

Senator GUGGENHEIM. What percentage of these men really become principals—these substitutes? I am trying to see how important and necessary it is to have this list of substitutes.

Mr. GRANT. It is absolutely necessary.

Mr. McCLEARY. We always draw from this list our supply of principals.

Mr. GRANT. Occasionally a man will drop out when he is a substitute. All the men we get come from the substitute list.

Senator CARTER. When do you make this settlement with the substitute in case he was not in fact provided with eleven days' work per month—at the end of the year?

Mr. GRANT. No; we might not be able to do it in the current month, but we would be able to do it in the following month.

Senator CARTER. But you would pay the \$25 every month?

Mr. GRANT. Well, we might not do that. I don't know just exactly how it would work out.

Senator CARTER. Would it not be better to make up the amount at the end of the year, providing he at all times responded to the call for service?

Mr. GRANT. I do not think it would, Senator, because a man wants the money at once. He wants it to pay his living expenses while he is waiting for an appointment.

Senator CARTER. According to your statement we would simply be placing upon the pay roll every substitute who has taken the examination and pay him \$25 a month.

Senator TALIAFERRO. A minimum of \$25 per month.

Mr. GRANT. Yes, sir.

Senator SIMMONS. He would get that whether he had any employment or not?

Mr. GRANT. We couldn't do that.

Senator CARTER. But you would equalize by deducting the amount he had received for his employment in the service?

Mr. GRANT. Yes, sir. This would not apply to so many substitutes, because a large percentage of our substitutes get more than that every month. Some of them work every day of the month; of

course it would not apply to them. Then there are a great many men whose names are put on the substitute list who do not want to work; they have employment elsewhere.

The CHAIRMAN. Where do you suggest that amendment come in?

Mr. GRANT. It would come in as a separate paragraph anywhere.

Senator CARTER. Prepare the amendment and send it up.

The CHAIRMAN. They have prepared it here in a letter.

Mr. GRANT. I do not think that it has been put in the shape of a letter.

The CHAIRMAN. I have the letter here with the amendment.

Mr. McCLEARY. At the foot of page 175 would be one place where it might go in as a separate paragraph.

The CHAIRMAN. What is your next point?

Mr. McCLEARY. The railway adjustment division has some amendments. Mr. Stewart will read them.

The CHAIRMAN. If they are numerous we had better take them up this afternoon.

Mr. STEWART. There are only three. They won't take more than three minutes.

The first one is on page 117. The appropriation for mail messenger service reads:

For mail messenger service, one million four hundred and twenty thousand dollars.

We transmitted to you by letter of March 24, 1908, a request to make that \$1,560,000. That is absolutely necessary. The amount appropriated by the House is less than the present rate of expenditure.

Senator TALIAFERRO. Your estimate was only \$1,518,000.

Mr. STEWART. It was made early in the fall, when we had to make our estimates, and could not foresee the subsequent draft on the appropriation.

The CHAIRMAN. We have your letter on that subject. What is your next amendment?

Mr. STEWART. Following line 20, on page 18, of the original bill—page 139. An amendment providing for readjusting the pay for diversions of weights during a quadrennial term. Where weights are diverted from existing routes, this amendment provides for reweighing that particular mail and readjusting the pay upon the routes involved, deducting the corresponding pay from the routes from which the mail is diverted and adding it to the route which carries it. The amendment reads as follows:

When after a weighing of the mails for the purpose of readjusting the compensation for their transportation on a railroad route mails are diverted therefrom, the Postmaster-General may, in his discretion, ascertain the effect of such diversion by a weighing of such mails for such number of successive working days as he may determine, and have the weights stated and verified to him as in other cases, and readjust the compensation upon the routes affected accordingly: *Provided*, That no readjustment shall be made unless the diverted mails equal at least ten per centum of the average daily weight of either of the routes affected.

Senator SIMMONS. Would that amendment be necessary if they adopted the plan of annual weighing?

Mr. STEWART. It would not. It is covered by Mr. Carter's amendment. Otherwise we should like to have it.

The CHAIRMAN. We have your letter on that point.

Mr. STEWART. The next and last one would follow the same line, immediately under transportation of mails, and provides for tabulations at Washington. You will see by the letter which you have what we desire. The amendment reads as follows:

And out of the appropriation for inland mail transportation the Postmaster-General is authorized hereafter to pay rental in Washington, District of Columbia, and compensation to tabulators and clerks employed in connection with the weighings for assistance in completing computations, in connection with the expenses of taking the weights of mails on railroad routes as provided by law.

The CHAIRMAN. We have your letter on that.

Mr. STEWART. This is a little modification in the phraseology.

The CHAIRMAN. All right. Hand it up here and I will arrange it. [Paper handed to chairman.] Now, the First Assistant Postmaster-General is here by request of the committee. Are you through, General?

Mr. McCLEARY. I am through, and I desire to express my thanks to yourself, Mr. Chairman, and to the committee, for courteous treatment.

The CHAIRMAN. I do not think that he will take more than a minute to answer the questions in regard to an appropriation for special delivery.

STATEMENT OF HON. C. P. GRANDFIELD, FIRST ASSISTANT POSTMASTER-GENERAL.

Mr. GRANDFIELD. The House bill provides for a less number of laborers than we actually have in the service now. I ask to have the bill amended in that respect, without increasing the total appropriation carried in the bill.

The CHAIRMAN. Where do you want the bill amended—what page?

Mr. GRANDFIELD. On page 12 of the House bill. Beginning on line 1, page 12, it reads:

Watchmen, messengers, and laborers, five hundred and thirty—

We want 660 instead of 530—

at seven hundred dollars each.

The CHAIRMAN. You have prepared an amendment, have you?

Mr. GRANDFIELD. Yes, sir. We have written a letter dated to-day, and 325, instead of 225, at \$600 each; and 125, instead of 100, at \$500 each.

The CHAIRMAN. I have a letter from Mr. Meyer on that subject, and the committee will take it up, I suppose written by you.

Mr. GRANDFIELD. Yes. The bill as it now stands provides for a less number than we have in the service.

Senator CARTER. How do you pay them, and what do you pay them?

The CHAIRMAN. On page 104, "For fees to special-delivery messengers one million two hundred thousand dollars."

Mr. GRANDFIELD. The fee is regulated by law. It doesn't matter whether the appropriation is made or not.

The CHAIRMAN. The committee want to know how much you pay the boys, whether they furnish their own bicycles, and just how the thing works out.

Senator CLAY. How does it take \$1,200,000?

Mr. GRANDFIELD. Eight cents for each message delivered.

The CHAIRMAN. You pay the boys 8 cents for each message delivered?

Mr. GRANDFIELD. Yes, sir.

Senator CARTER. You furnish the transportation?

Mr. GRANDFIELD. No; only to the extent of \$12,000 in emergency cases.

The CHAIRMAN. The boys have to furnish their own bicycles?

Mr. GRANDFIELD. Yes, sir.

The CHAIRMAN. You do not appoint them unless they have bicycles?

Mr. GRANDFIELD. If a bicycle is needed, yes, sir.

Senator CLAY. These messengers are not used except in cities, are they?

Mr. GRANDFIELD. Everywhere.

Senator CLAY. Are they used in small post-offices of from \$3,000 to \$5,000?

Mr. GRANDFIELD. Yes, sir. It is a matter of law; it is regulated by law.

Senator CLAY. I thought the postmasters, through their clerks, delivered the letters?

Mr. GRANDFIELD. If they do they get the fee.

Senator CLAY. The Government gets 10 cents for sending the letter—that is, the postage on a special-delivery letter—and then the Government pays to the messenger 8 cents for carrying it?

Mr. GRANDFIELD. Yes, sir.

Senator CLAY. And delivering it to the person to whom it is addressed?

Mr. GRANDFIELD. Yes, sir.

Senator CLAY. That is correct, is it?

Mr. GRANDFIELD. Yes, sir.

Senator CARTER. Where a letter is delivered from the post-office window no fee is paid?

Mr. GRANDFIELD. No fee is paid.

The CHAIRMAN. What is the nature of this emergency case?

Senator CLAY. You say that where a letter is delivered at the window of a post-office to the person to whom it is addressed no fee at all is paid?

Mr. GRANDFIELD. I could hardly conceive of a case where a letter would be delivered that way.

Senator CLAY. I have had it done that way myself.

Mr. GRANDFIELD. Whoever delivers the letter would be entitled to that fee.

Senator CLAY. They get 8 cents for delivering a special letter by law?

Mr. GRANDFIELD. That is right; and this appropriation is made simply to carry out the law.

Senator CLAY. And every special-delivery letter that is delivered, a fee of 8 cents is paid for it at all offices?

Mr. GRANDFIELD. Yes, sir. It is regulated entirely by law.

Senator BOURNE. The Government gets 20 per cent of that.

Senator TALIAFERRO. There is an item I would like you to explain—for car fare for special-delivery messengers in emergency cases.

The CHAIRMAN. What is the nature of that emergency?

Mr. GRANDFIELD. It is only when the special-delivery messenger—when it is necessary to give the boy car fare to enable him to deliver the letter. It is very small in comparison to the number of letters delivered.

Senator CLAY. You mean by reason of the great distance he has to go?

Mr. GRANDFIELD. Yes, sir. For instance, a letter delivered on Sunday, when there is no other means of delivering it, 4 or 5 miles from the post-office.

The CHAIRMAN. The committee stands adjourned until 3 o'clock this afternoon.

(At 1.45 p. m. a recess was taken until 3 p. m.)

AFTER RECESS.

The committee reassembled at 3 o'clock p. m.

STATEMENT OF HON. C. P. GRANDFIELD—Continued.

The CHAIRMAN. What page do you want to start on?

Mr. GRANDFIELD. The most important item, to my mind, is the appropriation for rent. That is on page 13 of the House bill.

The CHAIRMAN. Page 66 of the reprint. "For rent, light, and fuel for first, second, and third class post-offices, three million four hundred thousand dollars." What do you want done on that?

Mr. GRANDFIELD. We have asked for \$3,694,000. That is \$294,000 more than the House bill provides, of which amount \$29,000 should be immediately available.

The CHAIRMAN. They added \$100,000, didn't they?

Mr. GRANDFIELD. I understand so. According to our figures, if that amount is added there will be on July 1 a deficit of \$65,400.

Senator TALIAFERRO. Your estimate is only \$3,350,000.

Mr. GRANDFIELD. That is true, but the conditions have changed since that estimate was made.

Senator TALIAFERRO. You are given \$50,000 more than estimated by the House committee.

Mr. GRANDFIELD. Yes; but in the meantime we had obtained in the urgent deficiency bill an additional appropriation of \$50,000.

Senator TALIAFERRO. How much do you want now?

Mr. GRANDFIELD. Three million six hundred and ninety-four thousand dollars, of which amount \$29,000 shall be immediately available. In other words, there will be a deficiency of \$29,000 in the appropriation for the current year.

The CHAIRMAN. You seem to have an unexpended balance in 1907 of \$101,000.

Mr. GRANDFIELD. Yes, sir; that is true.

Senator BOURNE. Was this application made in the House committee for this increase?

Mr. GRANDFIELD. It was not, and for this reason: At the time of the hearing before the House committee we were negotiating for a

building in New York City. By the way, that matter was investigated by a Congressional committee, or a committee composed of Senator Scott, Representative Bartholdt, and the Postmaster-General, and the committee's recommendation was that the Department rent a building at a cost of \$100,000. We did a little better than that; we got the building for \$75,000. Unless this appropriation is increased above the \$3,500,000 that the committee has agreed upon we will have to cancel this contract for the New York post-office.

The CHAIRMAN. Doctor, will you restate, please, just what you want, as some of the committee were not present when you made your explanation.

Mr. GRANDFIELD. Our books show that on July 1, under contracts now in force, the expenditures will be at the rate of \$3,332,436 per annum. In addition to that we have accepted proposals for additional buildings aggregating \$99,693. Then we estimate that it will require \$103,275 to pay the allowances for rent, light, and fuel at offices becoming Presidential during the year, making the total \$3,536,404. The Senate committee, as I understand it, has agreed to appropriate \$3,500,000, \$29,000 of which to be immediately available, leaving \$3,471,000 available for next year, which deducted from the figures \$3,536,404 shows a deficit of \$56,804. Now, of course, we can not start in with a deficit, and the only alternative is to cancel some of the contracts we have entered into, one of which is for the second floor of the terminal building of the Hudson and Manhattan Railroad Company.

The CHAIRMAN. We put in a special item for that.

Mr. GRANDFIELD. That is for room in the New York Central station.

The CHAIRMAN. Oh, yes.

Senator CARTEL. We put in the Pennsylvania station for equipment.

Mr. GRANDFIELD. That is a different thing. This report of the joint commission to investigate the postal situation in New York recommended an appropriation of \$100,000.

First. That Congress make an appropriation for the purpose of securing additional working space in the immediate vicinity of the general post-office, such quarters to be sufficiently commodious to relieve the present intolerable conditions.

The commission is led to believe that this matter will be brought immediately to the attention of Congress by the Post-Office Department, and if it shall appear that adequate relief can be obtained by renting additional room at an annual rental of not exceeding \$100,000, it is believed that the conditions are such as to warrant favorable action on the recommendation of the Department.

This is quoted from the report of the commission. Now, the Department rented sufficient room for \$75,000, to be ready for occupancy on July 1, in the Cortlandt Building, which is the terminal station of the Hudson and Manhattan Railroad Company, located at the corner of Cortlandt and Church streets, about 2,000 feet from the main post-office building.

Senator SCOTT. I will say that I was on the committee to look into the matter. We recommended this building that he refers to on account of the handling of the mails more particularly that come in from steamers. The steamships come in there, and it is convenient to handle that mail and distribute it and get it out.

Senator CARTER. You can get it through with \$100,000?

Mr. GRANDFIELD. That would still leave \$15,000 less than nothing to start with. That contract has been entered into, and it is for a full year; it will take the full \$75,000.

Senator TALIAFERRO. Do you want \$295,000 more?

Mr. GRANDFIELD. One hundred and ninety-four thousand dollars more than the Senate has agreed upon, and \$294,000 more than the House bill.

Senator TALIAFERRO. When did the Senate agree on any changes in the House bill?

The CHAIRMAN. We did that on a letter under date of March 24, which was read to the committee.

Mr. GRANDFIELD. The expenditures for rent, light, and fuel the Department can not control.

Senator CARTER. Strike out "four" and insert "six," so that it reads, "three million six hundred thousand dollars."

Mr. GRANDFIELD. That will enable us to get along until Congress meets in December.

The CHAIRMAN. It is not usual to act on these questions right away.

Mr. GRANDFIELD. This is an appropriation for rent, fuel, and light, and the increase in expenditures is a matter that the Department can not control. When a lease expires we must renew it, and as the lease was made probably five or ten years ago, rentals have increased.

The CHAIRMAN. If there is no objection the bill will be passed as amended by Senator Carter.

(There was no objection.)

The CHAIRMAN. Is there anything else?

Mr. GRANDFIELD. On page 11, the appropriation for clerk hire—that is, page 11 of the House bill; page 42 of this other bill, lines 12 and 13.

The CHAIRMAN. What do you want there?

Mr. GRANDFIELD. We asked for an increase of a million dollars.

The CHAIRMAN. A million?

Mr. GRANDFIELD. Yes, sir.

Senator CLAY. Mr. Chairman, Senator Foster is here and wants to be heard just a minute on an amendment he has.

The CHAIRMAN. All right; we will hear you in a minute, Senator Foster. Sit down.

What do you want the increase for, Doctor?

Mr. GRANDFIELD. This bill as it now stands provides for 1,516 additional clerks; money enough to pay the salaries of 1,516 clerks, provided they are employed not to exceed nine months in the year; that is, appointed so that their entire service does not cover more than nine months of the fiscal year. In 1907-8—the current fiscal year—we have so far employed 2,785 clerks, and during the preceding year we appointed 2,898 additional clerks. Fifteen hundred and sixteen additional clerks will not be as many as the service requires, in my judgment.

The CHAIRMAN. We will have \$5,000,000 or \$6,000,000 added to this bill if we are not careful.

Mr. GRANDFIELD. Well, if you will add \$300,000 to the bill as it now stands, that will enable us to appoint 2,000 clerks, and I think that is a very conservative estimate—the very least the service can get along with.

Senator CLAY. Do you mean 2,000 additional clerks?

Mr. GRANDFIELD. That will enable us to appoint 500 more than the bill provides for.

The CHAIRMAN. Was this brought up in the House, General?

Mr. GRANDFIELD. Yes, sir.

The CHAIRMAN. You want how much?

Mr. GRANDFIELD. Three hundred thousand dollars more than the bill carries, for additional clerks.

The CHAIRMAN. But you said you wanted \$1,000,000 more.

Mr. GRANDFIELD. Three hundred thousand dollars is the very least. Our original estimate of \$1,000,000 contemplated the appointment of 2,500 clerks, which is considerably less than the number we appointed this year, or the year before, and also provided for a number of promotions in the higher grades.

The CHAIRMAN. What is the next point, General?

Mr. GRANDFIELD. The next one is on the following page. page 12: Watchmen, messengers, laborers, etc.

The CHAIRMAN. Page 46 in the reprint. [Reading:]

Watchmen, messengers, and laborers, five hundred and thirty, at seven hundred dollars each; two hundred and twenty-five, at six hundred dollars each; and one hundred, at five hundred dollars each; in all, five hundred and fifty-six thousand dollars.

Mr. GRANDFIELD. We want to have that increased from 530 to 630, at \$700 each.

Senator CLAY. We went over that this morning; we ought not to go over it again.

The CHAIRMAN. I have a letter on that subject, and the committee will take it up.

Mr. GRANDFIELD. I believe that is all, except that Senator Nixon asked me to call attention to an amendment.

The CHAIRMAN. The Committee has discussed Mr. Nixon's amendment, and will take it up.

Mr. GRANDFIELD. That is all I have.

Senator CARTER. With reference to the Nixon amendment, about the disposition made in the bill of third-class officers, do you think that necessary?

Mr. GRANDFIELD. That bill appropriates the money for unusual conditions at all classes of offices. This amendment is proposed to change the organic law so as to enable the Department to meet unusual conditions at first and second class offices.

The CHAIRMAN. That is on page 59. We thought the bill maybe covered it.

Mr. GRANDFIELD. It does.

The CHAIRMAN. Most of these offices being third class, and this new legislation in the bill on the subject is rendered unnecessary.

Mr. GRANDFIELD. Except that we would like, of course, to get rid of the appropriation for unusual conditions sometime, because it is so very broad; the Department is not restricted in any way as to expenditures. This proposed amendment would—

The CHAIRMAN. Are not most of these post-offices third-class post-offices?

Mr. GRANDFIELD. Yes, sir.

The CHAIRMAN. Well, then, why does not the allowance for third-class post-offices cover that situation?

Mr. GRANDFIELD. Because it limits the amount that may be allowed. We have to allow a great deal more in some instances than the present law provides for. The most that can be allowed to a post-office in the third class is \$500, except where unusual conditions obtain.

Senator CARTER. Why, you have special provisions here as to third-class offices, and then you have appropriations for unusual conditions, which you can apply at any office.

Mr. GRANDFIELD. That is right.

Senator CARTER. So that the new addition to the law seems to render the increased appropriation of unusual conditions unnecessary to the extent that the third-class offices are here taken care of.

Mr. GRANDFIELD. Taken care of? We can only allow \$500 at third-class offices, but in some offices we have to allow \$1,500 or \$1,600.

Senator CARTER. As the bill now stands, could you not make out of the item of \$125,000 for unusual conditions an allowance for third-class offices in addition to the allowances herein provided for?

Mr. GRANDFIELD. Yes; but we do not, as a rule, allow from both funds at the same time.

Senator CARTER. Well, after the fund for the third-class offices shall have been exhausted, can you then not draw—

Mr. GRANDFIELD. As a matter of fact, when we make an allowance out of an appropriation, we make it all from that appropriation.

Senator CARTER. But the unusual-conditions clause would apply to third as well as any other offices?

Mr. GRANDFIELD. Oh, yes.

The CHAIRMAN. Are there such conditions in existence at the present time in the Department? Places where we have to pay very much larger compensation?

Mr. GRANDFIELD. Yes. In Alaska, for instance. There are several offices in Alaska and in Nevada where we have to pay the prevailing rate of wages, \$4 a day.

Senator TALIAFERRO. What do you have to pay in Alaska?

Mr. GRANDFIELD. Not less than \$4 a day.

The CHAIRMAN. Senator Nixon, we were just discussing your amendment here. If the Nixon amendment were to be adopted, would you make any deduction from the amount which it provides in the way of new legislation, in the way of third-class offices?

Mr. GRANDFIELD. Not with reference to third-class offices; but first and second class offices.

The CHAIRMAN. Are there any first and second class offices to which these conditions apply?

Mr. GRANDFIELD. Yes, sir; Goldfield and Tonopah, Nev., for instance; Fairbanks and Nome, Alaska.

The CHAIRMAN. Well, if there are first and second class offices the Nixon amendment ought to be considered.

Mr. GRANDFIELD. I think it would be desirable to get that law on the statute books, because these conditions arise, and there may be other post-offices where such conditions prevail.

The CHAIRMAN. Do you desire to make any statement, Senator Nixon?

Senator NIXON. Nothing more than this, that my attention was first called to this by Mr. Hitchcock, the First Assistant Postmaster-General at that time, and of course I had a great deal of corre-

spondence with him over these conditions out there in Nevada, and he suggested that in his report he would recommend such an amendment as that to this bill, and since then I have discussed it with him. I know the conditions out there locally, and he says that this will cover it.

The CHAIRMAN. How are these conditions provided for?

Mr. GRANDFIELD. At Reno—when a vacancy occurs—we try to induce some high-grade clerk or carrier from another post-office to accept the position.

Senator NIXON. As you understand, gentlemen, in the early days, in the first few years of this excitement out in Nevada, the people in the different communities paid into a fund for the purpose of paying the salaries of the post-office employees. I will take those conditions in Goldfield. A barber got there \$4 a day, a bartender got \$8, a hodcarrier \$4, carpenters, \$6 and \$8. You could not expect for \$600 or \$800 or \$900 to get a postal clerk. I paid a messenger boy in the bank \$800. The result was that they came in there for a few days, and if they were bright and clever boys they would get positions in some store or bank, and the Department kept losing their help all the time; it was simply impossible to keep the post-office going. The result was that that unusual condition went along until two years ago, and that has helped out some. But for our office out there it is very necessary.

Senator CARTER. General, will not this amendment cause you interminable trouble in the Department in the way of increased demands for salaries?

Mr. GRANDFIELD. Yes, undoubtedly.

Senator CARTER. And no appropriation can ever be made to satisfy the demands if you accede to them.

Mr. GRANDFIELD. Not if we accede to them in all cases.

Senator TALIAFERRO. What would be the limit you would pay?

Mr. GRANDFIELD. The limit is \$1,200. The amendment reads:

Whenever a postmaster certifies to the Department that owing to unusual conditions in his community he is unable to procure the services of efficient employees at the initial salary provided for post-office clerks and letter carriers, the Department may authorize, in its discretion, the appointment of clerks and letter carriers for that office at such higher rate of compensation within the grades prescribed by law as may be necessary in order to insure a proper conduct of the postal business.

This could be limited, of course, by the insertion of the proviso "Not to exceed \$1,200 per annum" after the word "law."

Senator CARTER. That would relieve you?

Mr. GRANDFIELD. Yes. It was our understanding the amendment would be interpreted that way.

Senator SIMMONS. General, do these conditions that it is intended to meet exist in very many offices?

Mr. GRANDFIELD. No, sir; not in a great many.

Senator SIMMONS. How do you mean by "not a great many?"

Mr. GRANDFIELD. At about a dozen offices of the first and second class.

Senator SIMMONS. A dozen offices have made representations to you to that effect?

Mr. GRANDFIELD. Yes, sir. Sometimes the condition is temporary—at San Francisco, after the earthquake and fire, for instance.

The CHAIRMAN. All right, General, we will consider it.

Senator Foster, we will now hear you.

Senator FOSTER. I have introduced an amendment—offered an amendment to this bill which came over last year, and it was accepted by the committee, but went out in conference. This is to establish an additional railway division—an additional division, rather, of the railway service at New Orleans. They have one of these divisions in Atlanta, and of course we want to keep that there, and they have one at Fort Worth. I think it will strike most of you Senators that New Orleans ought to have one of these divisions. It is the largest city in the South.

The CHAIRMAN. It would cost \$50,000, and the Department is against it.

Senator FOSTER. Yes; the Department is against it.

The CHAIRMAN. Omaha is a competitor for the same recognition.

Senator FOSTER. This bill provides only for a superintendent and an assistant superintendent. Last year when I went up to the Department I understood Mr. Shellenberger to state that if that amendment was not pressed this year he thought he would recommend these divisions both at Omaha and New Orleans. That is what I understood him to say. But we ought to have this division there. There is no reason why we should not have it; and we know that so far as we are concerned, we do suffer for the want of this division in New Orleans. The committee last year incorporated it in a bill and I hope they will be able to see their way clear this year to take care of it.

The CHAIRMAN. In what way do you suffer, particularly?

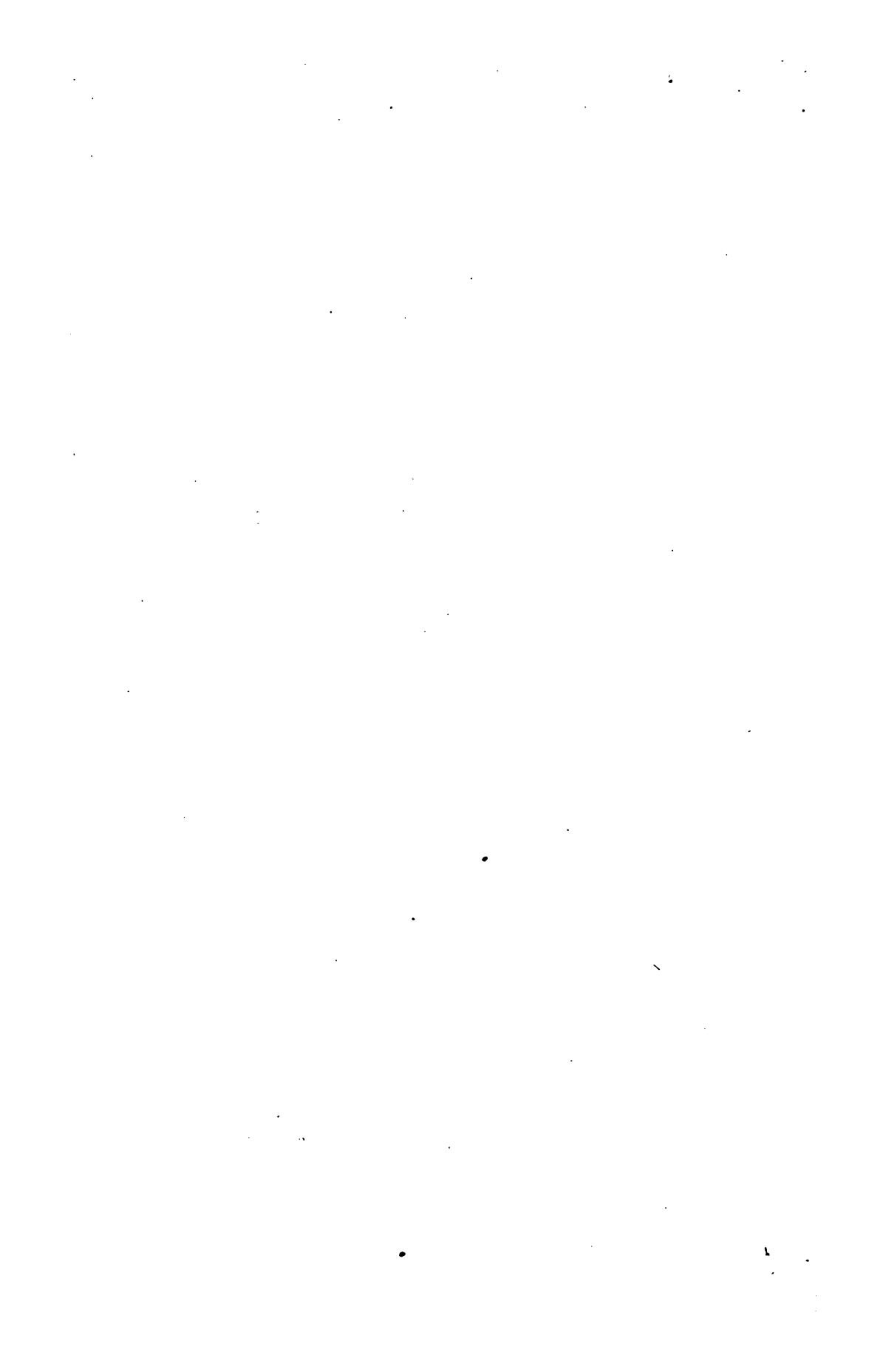
Senator FOSTER. Well, these divisions are for the concentration of mail, and the complaints are general in New Orleans of the inadequate service that we receive in that city, especially from the cars, the character of the cars, that are now engaged in the railway service. I think quite a number of complaints have been sent to you, Mr. Chairman.

Senator CLAY. We put that in, Mr. Chairman, I think, last year, and you and I tried to have it agreed to in conference, and Mr. Overstreet opposed it, and we had to give in. We might try it again.

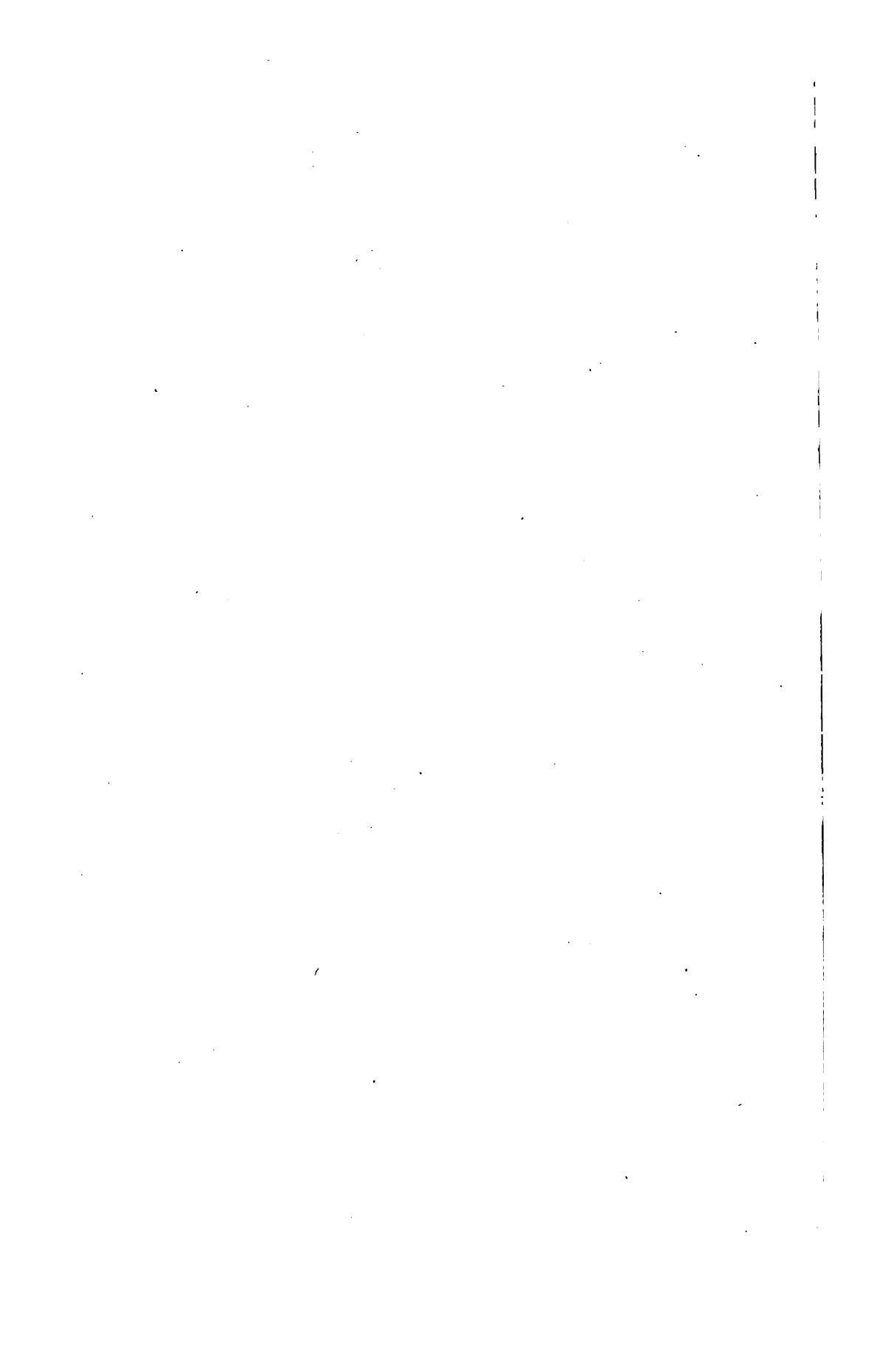
The CHAIRMAN. Well, shall we put Senator Foster's amendment in?

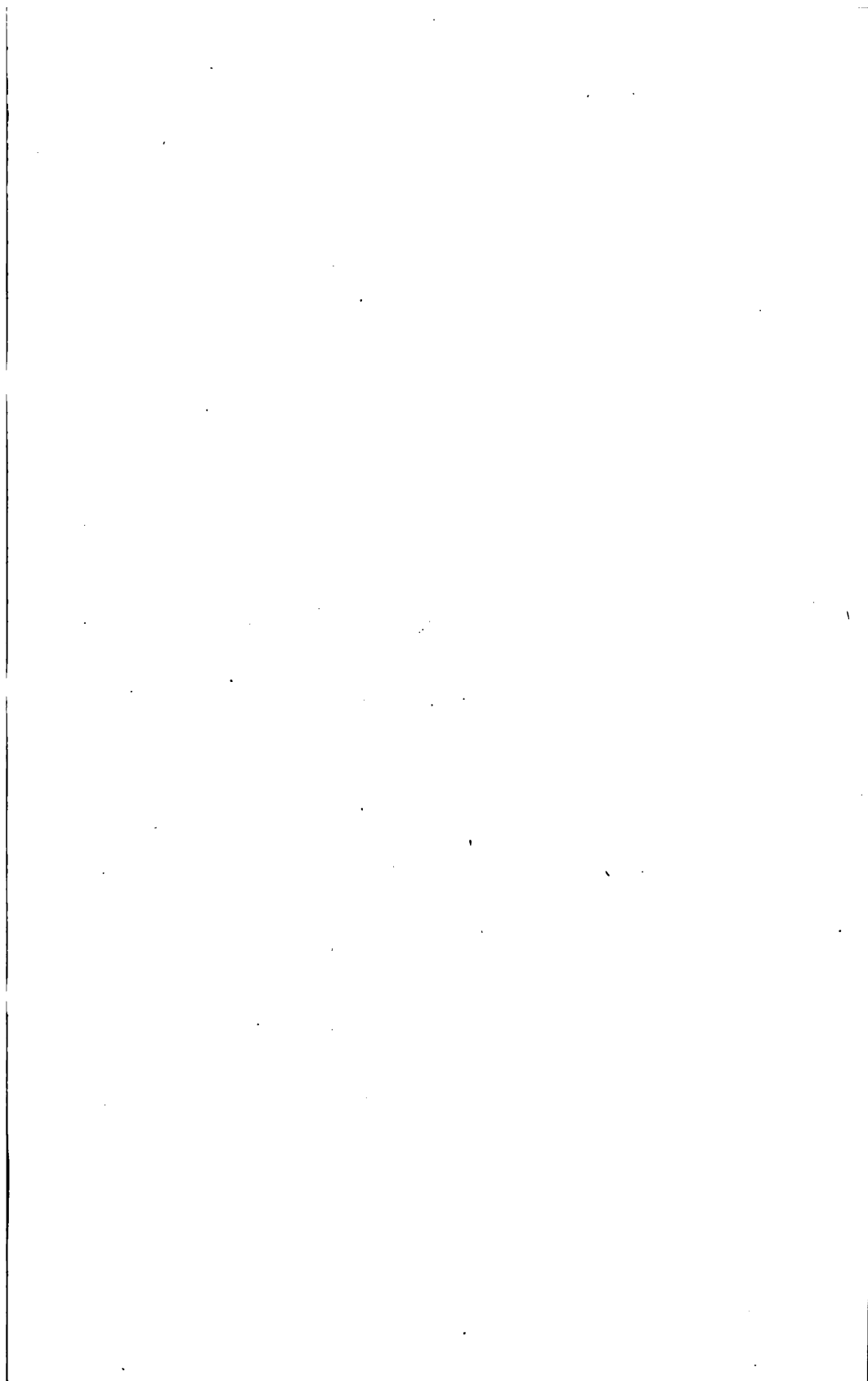
Senator CLAY. Yes; put it in for him.

At this point, 3.45 p. m., the committee went into executive session and thereafter adjourned.









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